



Doing Business in South Africa- *2012 Commercial Guide for U.S. Companies*

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Chapter 1: Doing Business in South Africa

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Market Overview

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Welcome to the South Africa Country Commercial Guide (CCG). This guide presents a comprehensive look at South Africa's commercial environment, using economic, political and market analysis

South Africa is a country of 50 million people rich in diverse cultures and natural heritage. Enjoying remarkable macroeconomic stability and a largely pro-business environment, South Africa is a logical and attractive choice for U.S. companies to enter sub-Saharan Africa. The country covers 1.22 million square kilometers and is the world's largest producer of platinum, vanadium, chromium and manganese.

South Africa is the most advanced, broad-based industry and productive economy in Africa and in 2011 its gross domestic product (GDP) grew by 3.1 percent to \$422 billion. In 2010 South Africa accounted for 31 percent of sub-Saharan Africa's GDP.

The mature nature of the South African economy is reflected in the mix of economic sectors:

- primary (including agriculture, fishing and mining): 7 percent
- secondary (manufacturing, construction and utilities): 20 percent, and
- tertiary (trade, transport and services): 73 percent

The tourism sector has experienced continued growth, given its prominence on the world stage with the 2010 World Cup, and is a major earner of foreign exchange, along with minerals, agricultural produce and some niche, high-tech sectors.

On average, in urban areas the country boasts well-developed infrastructure, comparable to OECD standards. Its growing service sector is a major employer, and the private, corporate side of the economy is well managed, although facing slow productivity gains. The banking and financial services sector is stable and has weathered the worldwide financial crisis well. The Johannesburg stock exchange (JSE) ranks among the top emerging market exchanges in the world.

South Africa's success in hosting the world's single largest sporting event, the 2010 FIFA World Cup, with no noteworthy security or logistics mishaps, has shown that the country is capable of undertaking – and successfully completing – major projects on time.

In April 2011 South Africa joined Brazil, Russia, India and China as the only African country in the leading emerging market group, BRICS. This step was seen as a significant endorsement by its peers of the country's macro-economic development since establishment of democracy in 1994.

South Africa is well integrated into the regional economic infrastructure as formalized by membership in the Southern African Development Community (SADC). In addition, the Southern African Customs Union (SACU) agreement with Botswana, Namibia, Lesotho, and Swaziland facilitates commercial exchanges.

In 2011, South Africa saw a downturn in inbound Foreign Direct Investment (FDI) following the modest 2010 FDI figure of \$4 billion, with most inflows taking the form of Mergers and Acquisitions (M&A). The United States is the largest portfolio investor in South Africa and the second largest source of FDI in South Africa, after the U.K.

The United States plays a prominent role in the South African economy as the largest import partner after China and Germany, accounting for seven percent of all imports.

In 2011, bilateral trade returned to pre-2008 levels with U.S. exports to South Africa amounting to \$7.3 billion. South African shipments to the U.S. amounted to \$9.5 billion; the long term trade deficit with South Africa declined modestly in 2011, to \$2.2 billion.

The passage of the African Growth and Opportunity Act (AGOA) in 2000 has provided duty-free access to the U.S. market for most sub-Saharan African countries, including South Africa. The U.S. and SACU concluded a Trade, Investment and Development Cooperation Agreement (TIDCA) in July 2008. The U.S. and SACU will use TIDCA as a forum to conclude a range of agreements on various trade facilitation issues and other areas of cooperation.

Market Challenges

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U.S. firms entering this market must contend with a typically mature and competitive market with well-established European and Asian competition. A trade agreement with the European Union enables many European products to enter South Africa duty-free or at lower rates than U.S. products.

Broad-Based Black Economic Empowerment (B-BBEE) policies aimed at redressing economic imbalances among historically disadvantaged communities require consideration by all firms planning to do business with the South African government and within the general business community as well. A few companies have managed to address the ownership element of B-BBEE by implementing “equity equivalent” programs that emphasize training and development of local companies.

The South African Government has initiated ambitious 10-year plus capital expenditure projects that aim to redress infrastructure deficits in especially the power and logistics sectors. While the need for capacity upgrades is demanded by industry at large and financing seems secure, observers have voiced concern that implementation will be lacking due to regulatory and organizational shortcomings.

The South African Government has been unable to effectively address long term structural unemployment and this has been exacerbated since 2010 by a cyclical downturn. As a result the pressure by organized labor to change economic policy direction has become more vocal and has seen the authorities vacillate in approving and then reconsidering the take-over by Walmart of South African retailer Massmart. Other signs of a change in the business friendly environment have been the populist debate around mining nationalization, above-inflation wage deal settlements by major employers such as government, mining and services and keen oversight on price competition. South Africa has failed to attract relatively significant FDI comparable to other emerging African economies.

Although unemployment remains high (official figure of about 25 percent), skilled labor can be difficult to find in many, if not most, technical and professional segments due to emigration and the state of the education system. In addition, HIV/AIDS affects approximately one in ten South Africans and impacts labor availability, productivity and medical costs.

In the 2011 index of perceived public-sector corruption, Transparency International ranked South Africa 64 out of 182 countries. South Africa's ranking was class-best among the BRICS.

U.S. firms should be aware that crime against businesses and individuals is a concern. High telecommunications and security expenses add to the cost of doing business in South Africa, and while recently installed fiber optic cable systems have reduced telecom costs somewhat, at least on a retail basis, broadband service is relatively limited in terms of the consumer market. Power generation shortages could restrict opportunities for energy-intensive industries, until additional power generation comes on-line between 2013 and 2016.

Market Opportunities

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Opportunities for U.S. exporters and investors in South Africa reflect the growth of its consumer base and its efforts to upgrade and develop its infrastructure to match and further fuel economic growth

Factors benefiting U.S. exporters include:

- A sophisticated banking sector;
- The strong performance of the rand versus the U.S. dollar;
- Infrastructure improvements;
- South Africa's position as a gateway to other countries in Southern Africa;
- U.S.-branded goods are known for their quality;
- South African Government-owned utilities such as Eskom (electric power) and Transnet (transportation) have formalized capital expenditure plans amounting to more than \$70 billion over the next seven years.

In general, the best prospects for exports are in capital goods, though opportunities exist in a wide range of consumer products and services as well.

Of particular note are:

- Electrical Power Systems;
- Telecommunication Services;
- Aviation;
- Automotive Components;
- Transportation, Infrastructure and Civil Construction;
- Franchising;
- Renewable Energy;
- Safety/Security Equipment;
- Pollution Control Equipment;
- Mining Equipment;
- Medical Equipment and Healthcare Services;

- Telecommunications Equipment; and
- Information Technology.

Market Entry Strategy

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Because the South African market is sophisticated, entry should be well planned, taking into consideration the following factors:

- The skewed demographic income distribution pattern, where ten percent of the population earns 45 percent of national income;
- The price-sensitive nature of the majority of consumer demand;
- Distribution issues given that the large retail centers are spread over only five metropolitan regions;
- Increasing consumer protection enforcement albeit in a still largely non-litigious environment;
- The entrenched bias of a conservative market that sticks to known suppliers and therefore requires sustained market development; and
- South Africa's position as the pre-eminent stepping stone for developing most sectors in sub-Saharan Africa: the marketing mix should anticipate this medium-term option. However, the new-to-market foreign supplier will find markedly different conditions when venturing northwards. This lack of regional integration relates especially to financial services, trade documentation and road communication and may have a significant impact on the cost of doing business.

A judicious selection of one of three low-risk entry strategies (representation, agency or distributorship) is required by new-to-market entities. If you are selling to the government or government-funded organizations, any local partner should be B-BBEE-compliant and be aware of local procurement regulations.

In addition to this Country Commercial Guide, the Commercial Service offices in Cape Town and Johannesburg offer many services designed to assist you in developing your market entry strategy into South Africa. For a detailed description of these services please visit: http://export.gov/southafrica/eg_za_036964.asp

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of South Africa, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/2898.htm>

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Using an Agent or Distributor

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One of the first steps that an exporter may wish to take in locating an agent or distributor in South Africa is to contact the U.S. Commercial Service in South Africa and register for one of the services specifically designed to meet the needs of U.S. client companies. South Africa offers foreign suppliers a wide variety of methods to distribute and sell their products, including using an agent (also known as a Commission Sales Representative, or CSR) or distributor. A link to details of these services is available at the end of this report.

In South Africa, the terms "Agent" and "Distributor" have a very specific meaning: "agents" work on a commission basis after obtaining orders from customers; distributors buy, carry stock and sell products directly to customers.

Agents often distribute durable and non-durable consumer goods, as well as some industrial raw materials. They may be particularly appropriate when products are highly competitive and lack a large market. It is common to appoint a single agent capable of providing national coverage either through one office or a network of branch offices. In addition to their role as the local representatives of U.S. exporters, agents should be able to handle the necessary customs clearances, port and rail charges, documentation, warehousing, and financing arrangements.

Local agents representing foreign exporters, manufacturers, shippers, or other principals who export goods to South Africa, are fully liable, under South African import control law, for all regulations and controls which are imposed on the foreign exporters. Local agents are required to register with the Director of Import and Export Control of the

Department of Trade and Industry. It is important for a U.S. exporter to maintain close contact with the local agent to track changes in importing procedures and to ensure that the agent is effectively representing the sales interest of the exporter.

Typical commission rates for agents (also known as a Commission Sales Representative, or CSR) in South Africa depend upon the contract concluded and upon the CSR's responsibility. These rates can range from 3 to 25 percent commission per concluded transaction. Companies sometimes pay a retainer fee plus costs plus an incentive scale on deals.

Distributors who buy for their own account and carry a wide range of spare parts often handle capital equipment and commodities such as chemicals, pharmaceuticals, and brand new products on an exclusive basis. Leading distributors often have branches throughout South Africa and sell to both wholesalers and retailers.

When appointing a South African distributor, U.S. exporters should take care to find out if the distributor handles a competing product. In some instances, major South African corporations whose holding companies market products competing directly with American products have approached some U.S. exporters.

In South Africa's competitive marketplace, it is essential that the U.S. exporter provide adequate servicing, spare parts, and components, as well as qualified personnel capable of handling service inquiries. In most cases, after-sales service should be available locally since potential delays often lead purchasers to seek alternative suppliers.

The U.S. Commercial Service has found that the most successful ventures entered into by U.S. companies have been preceded by thorough market research. This is an important first step before engaging in a search for agents or distributors. Once contacts are established, U.S. companies should visit South Africa since first-hand knowledge of the market and society is an advantage. Such a visit provides an opportunity for a personal appraisal of the prospective agent or distributor. U.S. exporters should carefully investigate the reputation and financial references of a potential agent or distributor and establish a clear agreement delineating the responsibilities of both the exporter and the agent.

The Commercial Service (CS) in South Africa offers a number of business facilitation services, including market research, appointment-setting, and background checks on potential business partners. For a full list of the services offered, please visit:

<http://export.gov/southafrica/index.asp>

In 2011, CS South Africa took on the coordination of market research and business facilitation in several sub-Saharan African states. These include:

- Angola
- Benin
- Botswana
- Burkina Faso
- Cameroon
- Cote d'Ivoire

[DRC Congo](#)
[Gabon](#)
[Gambia](#)
[Guinea](#)
[Lesotho](#)
[Liberia](#)
[Madagascar](#)
[Malawi](#)
[Mali](#)
[Mauritius](#)
[Mozambique](#)
[Namibia](#)
[Senegal](#)
[Swaziland](#)
[Zambia](#)

For additional information, please e-mail the U.S. Commercial Service office at:
Johannesburg.office.box@trade.gov

Establishing an Office

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South Africa in 2011 climbed one place to 35th out of 183 countries on the World Bank's latest Ease of Doing Business Index, boosted by the new Companies Act that was implemented in April 2011. This indicates the ease of starting a new business, and was underscored by South Africa retaining first place for ease of access to credit.

The Companies Act of 1973, which was administered by the Registrar of Companies (subsequently replaced in 2011 by the Companies and Intellectual Properties Commission – CIPC), regulated the formation, conduct of affairs and liquidation of all companies. The Act makes no distinction between locally-owned and foreign-owned companies. Companies may be either private or public. Foreign companies establishing subsidiaries in South Africa must register the subsidiary in accordance with the Act.

The new Companies Act of 2008 went into effect in 2011. Under the current law, all companies whether public or private, are required to be audited. The new Act allows for private entities to choose - they can decide to be audited or, alternatively, they may be subject to an independent review of their financial statements. The new Act introduced far-reaching changes to the South African corporate regime. A director may now be held liable for losses sustained for a breach of duty, although the new Act includes "prescribed officers" amongst the company's employees who may be similarly responsible. The category of prescribed officers may expose persons in management positions who are not directors to new obligations and possible personal liability.

Foreign companies may establish a local branch office in South Africa by registering the branch as an "external company" with the Registrar of Companies. Any nonresident or foreign company must register within 21 days of establishing an office in South Africa. Government approval is not required for registration and there is no requirement that a percentage of share capital be held locally. The branch company must file annual financial statements with the Registrar within six months after the end of its fiscal year.

Branch profits remitted to a foreign firm's headquarters are not subject to withholding tax. The legal liabilities of a branch are not limited to only its South African assets.

There are three forms of business enterprises in South Africa: Private Companies (Pty), Public Companies (Ltd), and Close Corporations (CC). South Africa has an estimated 400,000 Private Companies and 4000 Public Companies, and 1.6 million Close Corporations.

Each form has its own setup and reporting requirements as detailed below:

Private Companies:

A locally registered private company, identified by the words "Proprietary Limited" (Pty) in its title, is a form commonly used to carry on operations as a subsidiary of a foreign company. Private companies may have up to 50 shareholders, but cannot offer shares to the public or transfer them and are not required to have a minimum capital subscription.

Private Directors need not lodge a written consent with the Registrar and they need not be South African nationals or residents of South Africa. The registration of a company is established by filing the following information with the Registrar of Companies:

- a certified copy of the Memorandum and Articles of Association;
- the registered address;
- the name and address of the company's local auditor; and a share capital duty receipt.

Private companies are not subject to the statutory meeting and reports requirements of public companies and do not have to lodge their annual financial statements with the Registrar.

Public Companies:

Public companies, designated by the word "Limited" or letters "Ltd" in the title, are formed to raise funds by offering shares to the public. Therefore, there is no limit on the number of shareholders in a public company. Public companies are required to file annual financial statements and reports with the Registrar of Companies.

For public companies that issue a prospectus, proof must be submitted to the Registrar that each director has paid full price for the shares and the number of shares issued equals the stated minimum subscription. For public companies with share capital, the following must be forwarded to the Registrar:

- a director's statement that capital is adequate for business operation;
- particulars of the directors and officers; and
- proof that the annual duty has been paid.

A public company may not commence operations prior to receipt of the Registrar's certification.

Close Corporations:

Close corporations, designated by the letters "CC" after their names, are a form of business organization unique to South Africa. They can only be organized by natural citizens of South Africa and are limited to a maximum of ten persons. Close corporations are subject to fewer registration and operating regulations than companies.

However, the recently revised Companies Bill forbids the new registrations of CC's, and the Companies and International Property Registration Office (CIPRO) has established a new process whereby these companies would be required to file annual tax returns. As many of these companies are thought to be dormant, this procedure is intended to give CIPRO more up-to-date information on how many of these companies are still active.

For more information on company formation and registration contact:

Companies and International Property Commission (CIPC)
Postal Address: PO Box 429, Pretoria, 0001
Physical Address: The DTI Campus, Block F, 77 Meintjies Street
Sunnyside, Pretoria
Tel: +27 (0)12-394-9500;
Fax: +27 (0)12-394-9501
Email Address: info@cipc.co.za
Website: www.cipc.co.za

Franchising

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Recent years have seen a significant increase in the popularity of franchising in South Africa, as it is perceived as an effective way to conduct and grow successful businesses across a range of services. Franchising also plays an important role in furthering the development of small and medium businesses. Job creation, poverty alleviation, economic growth and black empowerment rank high on the South African government's agenda. Franchising, with its advantages of skill transfer, start-up support and ongoing operational assistance, is becoming a preferred type of business to address these areas. Business format franchising, in particular, is a proven concept offering potential opportunities for interested firms.

More information about this sector of the South African economy can be found in Chapter Four within the [Franchising](#) sub-section.

Additional information can also be found at:
Franchise Association of Southern Africa (FASA)
Posnet Suite 256, Private Bag X4, Bedfordview, 2008
Physical Address: First Floor, Block A, Eastgate Office Park,
South Boulevard, Bruma 2198
Tel: +27 (0) 11 615 0359; Fax: +27 (0)11 615 3679
Ms. Vera Velasis, Executive Director
Email: fasa@fasa.co.za
Website: <http://www.fasa.co.za/>

Direct Marketing

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Direct marketing is expected to grow over the next ten years. Direct marketing channels in South Africa include:

- Direct e-mail selling - such as Internet viral campaigns (where one email user nominates “friends” to participate in a promotional campaign and to his/her own benefit hands over the email addresses of friends and colleagues);
- Direct selling channels - such as the independent agent or distributor system; and
- Internet marketing – which has also grown rapidly as South African consumers become more comfortable about handing over banking details and ordering from non-brick-and-mortar companies.

Joint Ventures/Licensing

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Joint ventures and licensing arrangements involving foreign entities attract the attention of the South African regulatory authorities when repatriation of funds (royalties, fees and profits) from South Africa to a foreign recipient is agreed to or possibly required in the future.

When a company is interested in entering into a foreign licensing agreement to manufacture a product in South Africa, the South African licensee must submit an application to the Department of Trade and Industry (DTI). DTI, in turn, will make a recommendation to the South African Reserve Bank (SARB) which must approve the payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB by the South African licensee.

The calculation of discretionary funds (royalty, fees etc.) that can be set by the parties to a Joint Venture or Licensing arrangements are subject to a complex foreign exchange controls set by the SARB that have been made less onerous over recent years. Contract conditions involving obligatory purchasing and pricing agreements or requiring the licensee to sole source articles from the licensor are prohibited.

More detailed and up to date information on the foreign exchange aspects of joint ventures and licensing can be obtained from the SARB or an approved foreign exchange dealer and can be found in the SARB’s Exchange Control Manual, accessible via the following website.

<http://www.resbank.co.za/RegulationAndSupervision/FinancialSurveillanceAndExchangeControl/EXCMan/Pages/default.aspx>

Selling to the Government

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Government purchasing is a significant and growing factor in the South African economy as it addresses infrastructure deficits that include energy, transportation, communications, health and education.

Business Report reported in October 2011, that the SA Finance Minister, Mr Pravin Gordhan, announced that spending on public-sector driven infrastructure projects would rise from R185bn in the 2010/11 financial year to R275bn in 2014. In his medium-term budget policy statement, Mr. Gordhan said that expenditure by the State — including

local, provincial, and national — would rise from R978bn in 2011 to R1 trillion in 2012. In its 2010/11 annual report, the Development Bank of Southern Africa (DBSA) estimated that a total R3 trillion over a period of five years is necessary to address infrastructure backlogs.

Due to the economic downturn since 2009, and increased popular pressure to leverage policies that support broad employment, the SA Government is keen to implement measures that are seen to make a difference, despite severe structural shortcomings.

Nearly all purchasing (at all three levels of government – national, provincial and municipal) is done through competitive bidding on invitations for tenders, which are published in an official state publication, the State Tender Bulletin (<http://www.info.gov.za/view/DynamicAction?pageid=575>) and sometimes in leading newspapers. Although the purchasing procedures of the central government and parastatal institutions favor products of local manufacturers, an overseas firm is not precluded from bidding if the firm has an agent in South Africa to act on its behalf. As a general practice, payment is made to the local agent. Several factors impact the process of selling to the SA Government and its agencies.

Central Government Procurement:

South Africa has changed its government procurement to a “Supply Chain Management” process in order to streamline the buying procedures of national, provincial, local, and state-owned companies. As part of the Public Finance Management Act Regulations of 1999, procurement accountability has now devolved to “accounting officers”. Depending on their level of responsibility, the accounting officers are allowed to approve government purchases up to a certain amount.

The basic principles for government procurement in South Africa, in terms of socio-economic objectives, are set out in the Constitution: procurement by an organ of State or any other institution identified in national legislation must, on the one hand, be “in accordance with a system which is fair, equitable, transparent, competitive and cost-effective,” and, on the other hand, allow for categories of preference and the protection, or advancement, of persons disadvantaged by unfair discrimination, within a framework national legislation. Other principles on which procurement must be based in South Africa are accountability and the just-in-time (JIT) delivery principle.

Purchases are generally by competitive tender for project, supply and other contracts. Bidders generally need not pre-qualify, but the ability of bidders to supply goods or render a service generally is examined. Foreign firms can bid through a local agent. The due date for a bid is usually at least twenty-one days from the publication of the notice. As a general practice, however, a lead-time of thirty to forty-five days is allowed. Bids for government tenders must be on a basis of all costs included to the specified delivery point.

Local Content Requirements:

The SAG has since 2010 been ramping up its requirements for local content. The Department of Public Enterprises (DPE) has formulated the Competitive Supplier Development Programme (CSDP), aimed at building up the local supply base. This element of localization has taken on increasing importance in the bidding process, particularly in bids by foreign firms.

Previously, State-Owned Enterprises (SOE's) participated in the National Industrial Participation Programme (NIPP), an import-offset program for government agency expenditure managed by the Department of Trade and Industry (DTI). Under the NIPP program, all imports of more than \$10 million required the supplier to work with DTI to invest the equivalent of 30% of the value of the purchase in a non-related industry. However, under CSDP, companies have more discretion to meet government requirements in this area.

Foreign prospective suppliers need to look closely at localization requirements, which are complex, evolving, and vary by sector.

The logistics SOE, Transnet, has formulated guidelines for the CSDP program:

http://www.transnet.net/BusinessWithUs/iCLM%20HQ%200624%20Supply%2028%20St raddle%20Carriers/The%20Contract/Part%201%20Agreements%20Contract%20Data/C 1_2%20Contract%20Data%20Part%201/Annexure%20C%20-%20CSDP/Supplier%20Guidelines%20CSDP.pdf

Black Economic Empowerment (BEE):

A pivotal consideration with the government and parastatal procurement process is that manufacturers or suppliers to government need to qualify as BEE (Black Economic Empowered) partners. These criteria aim to quantify the contribution by these partnerships to empower previously disadvantaged individuals (i.e., those whose racial/ethnic origin is described by the South African terms "Black", "Coloured," and "Indian") according to a varying mix of the following parameters:

- Black Ownership
- Black Management Control
- Employment Equity
- Percentage of Black Skilled Personnel
- Preferential Procurement from Black/BEE Suppliers
- Skills Development Initiatives
- Enterprise Development initiatives for Black Businesses

Note that in BEE legislation, the term "Black" is used generically to refer to South African citizens of the following racial/ethnic groups: Blacks (those whose ancestry is exclusively/almost exclusively African), "Coloureds" (those of mixed European/African or European/Asian origin), or Indians (those whose ancestry originates in the Indian sub-continent). A 2008 Court decision expanded the BEE program to include South African Chinese.

The Broad-Based Black Economic Empowerment Act of 2003, the legislation enacting the BEE strategy, directs the Minister of Trade and Industry to develop a national strategy for BEE, issue BEE implementing guidelines in the form of Codes of Good Practice, encourage the development of industry-specific charters, and establish a National BEE Advisory Council to review progress in achieving BEE objectives. While firms are not legally required to meet BEE criteria, they have little or no chance in practice of competing if they do not.

BEE Codes of Good Practice and other pertinent legislation may be found on DTI's website: http://www.dti.gov.za/economic_empowerment/bee.jsp

In 2011 DTI announced that it would increase efforts to combat BEE fronting and tokenism (i.e. where the control and benefit still reside with previously advantaged individuals).

Public Private Partnerships (PPP):

Closely linked to BEE, the South African Government and its parastatals are giving close attention to Public Private Partnerships (PPP). This mode of outsourcing operational responsibility is an alternative to direct government procurement. While it allows a variety of leasing options, it can also include buying a service from a private entity. This mode of business implies less risk for government due to a significantly reduced capital investment requirement, and a predictable expenditure model (linked to the fee structure payable to the service provider) while at the same time allowing BEE entities to benefit from traditional government operations. The more complex PPP tender bidding process has in some cases also led to longer adjudication and awarding timelines. In some quarters of organized labor, the PPP process has been scrutinized for policy conformity since it underscores privatization and deregulation – faced with increasing unemployment these organizations have become more critical of the allegedly pro-business stance of the South African Government.

The SA Department of Finance (Treasury) administers the government procurement process. For more information:

South African National Treasury
PPP Unit
Tel: +27 (0)12 315 5741
Fax: +27(0)12 315 5477
Website: <http://www.treasury.gov.za>

Offsets and Counter-Trade:

South Africa has a National Industrial Participation Program (NIPP), which mandates a counter-trade/offset package for all state and parastatal purchases of goods, services, and lease contracts in excess of US\$10 million. Under the program, all bidders on government and parastatal contracts who exceed the imported content threshold must also submit an Industrial Participation package worth 30 percent of the imported content value. The bidder then has seven years to discharge the Industrial Participation obligation. Non-performance of the contract is subject to a penalty of five percent of the outstanding Industrial Participation obligation. These IPP requirements are issued with the tender documentation of all government and parastatal tenders and are overseen by the Industrial Participation Secretariat of the Department of Trade and Industry.

The Department of Trade and Industry administers the NIPP:

http://www.thedti.gov.za/industrial_development/nipp.jsp

Parastatals:

Parastatals (also known as State-Owned Enterprises - SOEs), local authorities, and major private buyers such as the mining houses must follow practices similar to central government. Parastatal procurement is guided by and bound to the schedule of local content preference. Local government purchases are increasingly significant and also involve overseas bidding. With decentralized procurement by the nine separate provincial governments in South Africa, the prospects for additional government procurement below the central government level are significant, even though strict budgetary restraints are in place and many agencies face a lack of capacity in rolling out and managing projects.

Industrial Development Zones (IDZs):

South Africa has IDZs (Industrial Development Zones) aimed at encouraging export-bound commodities and manufacturing. So far, they have managed to attract investments in bulk ore handling, petro-chemicals, automotive manufacture and related industries.

IDZs are administered by the Department of Trade and Industry and the South African Revenue Service (SARS) as a dedicated, industrial estate linked to an international air or sea port, which might contain one or multiple Customs Controlled Areas (CCA).

In February 2012, the SAG announced plans to invest R1.3 billion into the IDZs at Ngqura Port / Coega, Richards Bay and East London. The largest IDZ, Coega, has attracted investments worth approximately R30 billion. It reportedly has feasibility studies currently running that are worth some R140 billion for an oil refinery, a combined cycle gas turbine power station, a business process outsourcing park, automotive plants, and various other investments in the logistics, chemicals and food processing sectors.

In 2012 the SAG also announced plans for the establishment of Special Economic Zones which, unlike current Industrial Development Zones (IDZs), can be situated in areas not physically associated with a port or airport.

In addition, there are separate logistics hubs (both at ports and inland) that have bonded warehouses managed by freight forwarders; this is of great value to importers who ship goods through South Africa into neighboring states with different duty and excise regimes.

For a detailed customs-related discussion around IDZs, please see:

<http://www.sars.gov.za/home.asp?pid=44747>

Distribution and Sales Channels

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Approximately 90 percent of South Africa's economically active population is found in areas surrounding the cities of Johannesburg, Cape Town, Durban, Pretoria and Port Elizabeth. These five cities represent the country's major areas of economic activity and consumer markets.

The distribution chain within a given industry varies, depending on the nature and type of equipment and/or products being imported. Consumer-oriented products, for example, are distributed by local subsidiaries or joint-venture partners to a fixed number of

distributors who sell to wholesalers and/or retailers who in turn sell to end-users. There may be more middlemen within the chain, depending on the arrangement worked out by the original equipment manufacturer (OEM).

In South Africa, each industry sector has but a handful of major distributors, but often hundreds of small players. Major players prefer an exclusive agent/distributor agreement with the foreign firm. Most South Africa imports are handled through the country's largest airport in Johannesburg or through one of three of the country's ports: Durban, Cape Town and Port Elizabeth.

The major distribution point is Johannesburg that has bonded inland port status for custom and excise purposes.

- **Johannesburg**

The city of Johannesburg is the commercial and financial hub of South Africa. As the country's transportation hub, it is the center for all aviation, rail and road infrastructure. It also has the continent's busiest international airport, which can handle 20 million passengers and 400 000 metric tons of cargo annually. The headquarters of the National Ports Authority of South Africa (NPA) is also located in Johannesburg.

Johannesburg is one of the world's few major cities located on neither the ocean nor a major river. Yet, ironically, it hosts the largest and busiest "port" in Africa – an export-import freight container terminal called City Deep, which handles 30 percent of South Africa's exports.

- **Durban**

Durban is the busiest ocean port in Africa, and the Durban Container Terminal is the largest and best-equipped container terminal in the southern hemisphere. Durban's location on the eastern coast of South Africa makes the terminal a pivotal hub for the entire Southern African region of the Indian and South Atlantic oceans, serving trade routes linking North and South America with the Middle East, India, Asia and Australia. The terminal also serves as a crucial interface for the distribution of cargoes between ocean carriers and the markets of South Africa, Botswana, Zimbabwe, Zambia and Zaire. On the landside, there is direct connection with surface transport via rail sidings and also speedy connection to South Africa's trunk road network. The facility handles in excess of 4,000 ships annually, with an estimated gross tonnage of 81,700,000. Containers handled at Durban port represent 64 percent of the total number of containers handled at South African ports. Durban port is currently undergoing extensive upgrades aimed at both increasing efficiencies and net capacity

- **Cape Town**

Cape Town, located at the southern-most point of Africa, is ideally positioned as a hub terminal for cargo to South America and the Far East. West/East Africa cargo has grown substantially, making the Cape Town Container Terminal the terminal of choice for trans-shipment cargo. The terminal currently handles 3,161 vessels per year for a gross tonnage of 44,501,297.

- **Port Elizabeth**

The Port Elizabeth Container Terminal is one of the three specialized container-handling facilities along the South African coastline. Port Elizabeth serves the immediate area of the Eastern Cape where its main business focuses on the needs and requirements of the motor vehicle and components industry as well as various agricultural products. The terminal offers value-added services in the form of storage, packing and unpacking of

containers and logistics management. The Terminal currently handles 1,271 ships with a total gross tonnage of 25,756,823.

Selling Factors/Techniques

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New products entering the South African market require extensive market research and mass advertising to identify potential customers' buying patterns and preferences. This applies particularly to unknown brand names, as South Africans are very brand conscious.

One way of launching a new product in South Africa is by exhibiting at a trade show. Promotional "give-aways" are also very popular. An editorial and/or advertisement in a specialized trade publication will also enhance awareness of the product. Although South Africa has eleven official languages, promotional material is typically printed in English.

Direct selling has certainly found a niche market in South Africa. Direct sales to individuals on a personal one-on-one basis by freelance agents are fast becoming a multi-million dollar industry in South Africa. Examples of products sold in this way include costume jewelry, plastic containers, lingerie and personal products and personal health and herbal type products.

Amendments to the Consumer Protection Act (CPA), effective since 2011 have changed many aspects of business in South Africa by introducing new legislation concerning manufacturers and service providers. The new legal framework aims to protect the consumer through controls on product liability, sales and marketing practices and fairness in consumer contracts, among other issues. In essence, the CPA shifts the burden of proof from the current consumer seeking redress to the supplier to prove his indemnity.

Many regulations detailing the workings of the new Act remain to be tested and it will take time for the full implications of the Act to become apparent. Apart from the contract-law elements of the CPA it will have a broader impact on Health, Safe and Environment (HSE) and on the consumer. For a more detailed discussion of the amended Consumer Protection Act, please see:

<http://www.michalsons.com/the-consumer-protection-act-a-heads-up>

Electronic Commerce

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Consumer response to electronic commerce has increased. While acceptance of B2C interaction has grown, South Africans still primarily use websites for information gathering rather than purchasing. Since 2011 South Africa faces declining cost structures in terms of ADSL and wireless Internet connection. The migration to e-commerce is slowly gaining pace. Cell phones are slowly replacing wallets, as banks, card operators, retailers and communications companies provide alternatives to cash as a means of payment. M-commerce, where cell phones are used to pay for goods and services, has advanced beyond mobile banking to debit and credit transactions. M-commerce is particularly attractive in Africa due to the rapid increase in the number of cell phones and the limited access to the Internet, and poor fixed-line infrastructure.

South Africa has a sophisticated advertising industry. Advertising agencies provide a full range of services and the majority of the larger agencies are subsidiaries of prominent international agency groups. Major media outlets include television, radio, newspapers and magazines, outdoor advertisements, cinema and the Internet. The deregulation of the airwaves has introduced more competition through a further independent television channel and independent radio stations.

The key figures in South Africa's advertising industry are the Association for Communication and Advertising (ACA) (www.acasa.co.za); the two major media bodies, the National Association of Broadcasters (NAB) (www.nab.org.za) and the Print Media Association (PMA) (www.printmedia.org.za); and finally the Advertising Standards Authority of South Africa (ASA), which regulates South African advertising standards.

Advertising agencies in South Africa are no longer solely remunerated by clients on a commission system. Fee arrangements are becoming increasingly common and specialist media buying companies are taking a growing market share of media purchases in South Africa. Customarily, the various media offer 16.5 percent commission to recognized advertising agencies provided payment is made within the stipulated 45-day period.

Additional information can be obtained from the following association:

Advertising Standards Authority
Willowview, Burnside Island Office Park
Tel: +27 (0)11 781 2006; Fax: +27 (0)11 781 1616
Mr. Fred Makgato
Email: freddy@asasa.org.za
Website: <http://www.asasa.org.za>

Names and addresses of major advertising agents, newspapers, magazines, market research companies, and public relations consultants along with their current rates, can be found in the Advertising and Press Annual of South Africa available from:
Infixion Medio (PTY) Ltd.
Tel: +27 (0)11 835 2221; Fax: +27 (0)11 835 2631
Email: Yolanda.Hegurtha@infixion.co.za
Website: www.infixion.co.za

Major English-language South African newspapers include:

Business Day	www.businessday.co.za
The Star	www.thestar.co.za
The Citizen	www.citizen.co.za
The Sowetan	www.sowetan.co.za
The Times	www.thetimes.co.za
Mail and Guardian	www.mg.co.za
Sunday Independent	www.sundayindependent.co.za

Major English-language periodicals for business include:

Financial Mail	www.free.financialmail.co.za
Engineering News	www.engineeringnews.co.za

Several trade exhibition firms operate in South Africa. The Exhibition Association of Southern Africa (EXSA) provides an overview of the Exhibitions and Trade Shows being held in South Africa and can be found at: <http://www.exsa.co.za>.

You can also visit the Commercial Service South Africa's website for links to upcoming trade events and business service providers:

<http://www.buyusa.gov/southafrica/>

Pricing

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Prices are generally market-determined, with the exception of petroleum products, certain agricultural goods and prices administered by parastatals (government-owned firms) such as the South African Post Office and Telkom. Provisions of the Sales and Service Matters Act set pricing requirements and stipulate that prices cannot be evaded through auction sales. The Act also requires that persons offering goods or services for resale keep and retain records for possible recall, indicating purchase costs, manufacturing costs, and selling prices. Changes in the fixed prices are published in the South African Government Gazette.

South Africa applies a 14 percent Value Added Tax (VAT) (as opposed to General Sales Tax (GST)) on all goods and services, except for some basic staple diet items. Exports are zero-rated and no VAT is payable on imported capital goods. In Industrial Development Zones (IDZ) there is a VAT suspension on imports and exports, provided the finished product is exported. The South African Revenue Service (SARS), a division of the South African Department of Finance/Treasury, administers VAT:

SARS

Tel: +27 (0)12 422 4000; Fax: +27 (0)12 422 5181

Website: www.sars.gov.za

Sales Service/Customer Support

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In the South African consumer market, after-sales service is extremely important, especially for providing technical and spare part services to prospective clients. Many South African consumers will base purchasing decisions on reliable after-sales service for their purchases, especially for high-end luxury goods such as electronic equipment. Appointing a central distributor that stocks spare parts and provides maintenance and repair service is advisable for existing brands and new brands breaking into the market. As the South African market has opened up and become more competitive, South African consumers have become more and more concerned about quality and after-sales service. Foreign companies that bring strong customer support systems to this market will find themselves with a competitive edge.

Consumers may direct queries and complaints to the South African National Consumers Union (SANCU), <http://www.sancu.co.za>

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property ("IP") rights in South Africa. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in South Africa than in the U.S. Third, rights must be registered and enforced in South Africa, under local laws. Your

U.S. trademark and patent registrations will not protect you in South Africa. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the South Africa market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in South Africa. It is the responsibility of the rights’ holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in South African law. The U.S. Commercial Service has a list of local lawyers:

http://export.gov/southafrica/businessserviceproviders/index.asp?bsp_cat=80120000

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in South Africa require constant attention. Work with legal counsel familiar with South African laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both South Africa or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)

- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

South Africa is a signatory of various international agreements and conventions relating to the protection of intellectual property, which includes Patents, Trade Marks, Designs and Copyright. South Africa has an independent judiciary under which any threat to property rights may be enforced without political interference.

While South African intellectual property rights (IPR) laws and regulations are largely in keeping with Trade-Related Aspects of Intellectual Property (TRIPS), there are still concerns about widespread copyright piracy and trademark counterfeiting. The United States is working with the South African authorities to address these issues. The South African authorities are keen to enforce a higher compliance with IPR laws and the South African Revenue Service (SARS) has been playing a prominent role in deterring imports of counterfeit goods.

The U.S. and South African governments have held extensive consultations to clarify a section of the South African Medicines Act, which appeared to grant the Minister of Health broad powers in regard to patents on pharmaceuticals. The U.S. and South African governments reached an understanding that any action taken by the South African government will be compliant with TRIPS. A similar understanding was then reached between the pharmaceutical companies and the South African government. However, there are still concerns with intellectual property in pharmaceutical circles. Current discussions are currently centered on data exclusivity as a means to protect intellectual property.

Additional information on South African rules and registration procedures for patents, trademarks, and copyrights can be obtained from CIPC:
http://www.cipc.co.za/Enforcement_IP.aspx.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the South Africa market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in South Africa. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in South Africa law. Local lawyers known to the Commercial Service in South Africa appear here:

http://export.gov/southafrica/businessserviceproviders/index.asp?bsp_cat=80120000

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers South Africa at: Johannesburg.office.box@trade.gov

Due Diligence

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Proper due diligence information should form the starting base for any business negotiation with South African concerns. U.S. companies should act prudently in completing due diligence reports prior to any proposed business deals.

The U.S. Commercial Service can provide valuable background information on South African firms through our International Company Profile (ICP) service. Further information can be obtained by visiting our website at <http://export.gov/southafrica/index.asp> or by contacting your local U.S. Export Assistance Center or the U.S. Commercial Service directly in Johannesburg (see contact numbers at the end of this guide).

Local Professional Services

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For information on local business service providers for U.S. exporters to South Africa, please visit the U.S. Commercial Service South Africa website at <http://www.buyusa.gov/southafrica/en/> or contact the U.S. Commercial Service in Johannesburg (see contact numbers at the end of this guide).

U.S. companies seeking legal representation in South Africa should contact the Commercial Service office in South Africa for a list of local attorneys. For more specific information, please contact:

Law Society of the Northern Provinces
Tel: +27 (0)12 338 5800; Fax: +27 (0)12 323 2606
Website: <http://www.northernlaw.co.za/>

Web Resources

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Association for Communication and Advertising
Advertising Standards Authority of South Africa
Department of Trade and Industry (DTI)
Exhibition Association of Southern Africa
Franchising Association of South Africa
Law Society of the Northern Provinces
National Association of Broadcasters
Infixion Media (PTY) Ltd.
Print Media Association
South African National Consumer Union
South African National Treasury
South African Revenue Service

<http://www.acasa.co.za/>
<http://www.asasa.org.za>
<http://www.dti.gov.za/>
<http://www.exsa.co.za>
<http://www.fasa.co.za>
<http://www.northernlaw.co.za/>
<http://www.nab.org.za/>
<http://www.infixion.co.za>
<http://www.printmedia.org.za/>
<http://www.sancu.co.za>
<http://www.treasury.gov.za/>
<http://www.sars.gov.za/>

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

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Agricultural Sectors

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Green Technologies

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South Africa is severely over-reliant on coal as a primary energy source (87% in 2008 according to the International Energy Agency (IEA), accounting for 38% of CO2 emissions from fuel combustion in Africa in 2008. Various Long-Term Mitigation Scenarios (LTMS) estimate that emissions will quadruple between 2003 and 2050 in the absence of radical energy-choice changes. This increase will mostly come from energy-related emissions, notably from the electricity, industrial and transport sectors.

South Africa is expanding renewable energy, weighing up nuclear energy, exploring carbon capture and storage (CCS) technologies, and leveraging Demand Side Management (DSM) initiatives. South Africa's public electricity utility, Eskom, also has a target to reduce dependence on conventional coal to 70% by 2025, and to provide at least 1 600 megawatts in renewable capacity by 2025 (mostly large-scale solar and wind).

The early stages of a formal Green Technology policy are evidenced by voluntary energy efficiency programs that are being driven by industry; these will presumably be adapted by the South African Government as a mandatory standard in due course. A case in point is the South African industry standard SANS 204 that sets guidelines for energy efficiency in buildings with and without artificial ventilation or air-conditioning.

Please see:

https://www.sabs.co.za/content/uploads/files/Standards_21stCentury_Energy_Efficiency

A variety of incremental Green Technology measures can be expected in the foreseeable future, including:

- A progressive carbon tax implemented in 2010 on fuel-inefficient internal combustion motor vehicles, going hand-in-hand with mandating the latest technology fuels from South African oil refineries to power EURO 5-compliant internal combustion engines.
- An increased focus on recycling, water efficiencies and treatment and waste management;
- A sharply increasing electricity tariff regime (recently announced by the South African regulator to be increasing by 25 percent per year on average over three years).
- Increasing the efficiencies of the Eskom-dominated power grid. With the increased tariff regime, cost structures may become more attractive for Independent Power Providers (IPPs).
- Long term, the development of a Smart Grid.
- A reduction of South Africa's coal energy reliance - around 92 percent of all power generation is coal based;
- The use of Clean Coal Technologies (CCT), which may alleviate some pressure to reduce reliance on coal power generation.
- Medium term, the establishment of a nuclear power generation capacity, to supplement the only, problem-prone, facility at Koeberg in the Western Cape (commissioned in 1984, Koeberg has a capacity of 1,800MW and supplies six percent of South Africa's electricity needs).
- The use of commercial-scale CCS technologies in the future for both power generation and the Coal to Liquid (CTL) petro-chemical industry – at present a cornerstone of the South African petrochemical landscape.
- The use of solar and (to a lesser degree) wind power generation as a long- term Green Technology option, given the country's abundant sunshine and long coast line.

Industry sector developments in this field overlap with these headings, as treated elsewhere in this CCG:

- Pollution Control Equipment
- Electrical Power Systems
- Green Building Technology
- [Standards \(in Chapter 5\)](#)
-

Electrical Power Systems

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Overview

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Eskom, South Africa's national power utility, generates about 95% of electricity in South Africa. Approximately 88% of South Africa's electricity is generated in coal fired power stations. Koeberg, a large nuclear station near Cape Town, provides about 6.5% of capacity. A further 2.3% is provided by hydroelectric and pumped storage schemes. South Africa supplies two thirds of Africa's electricity and is one of the cheapest

electricity producers in the world. South Africa's rapid economic growth in recent years has resulted in electricity demand rising faster than anticipated. In 2009, however, the global economic crisis meant the country's power supply constraints were temporarily eased, as demand for electricity fell on the back of declining global economic activity. As the world emerged from the global crisis in 2010, and electricity demand in the country started trending upwards again, it became apparent that the brief reprieve from the global slowdown created a false sense of electricity supply security.

Electricity supply constraints are expected to remain a feature of South Africa's social and economic landscape for several years to come, and the introduction of additional capacity will be required for at least the next 20 years.

To assist with the planning for this new capacity, government has produced The Policy-Adjusted Integrated Resource Plan (IRP2010), approved in 2011, which will be continuously revised and updated.

IRP2010 outlines the proposed electricity generation capacity mix for South Africa for the period 2010 to 2030, and expects that this will be delivered through a range of projects that will be implemented by Eskom and the public sector (accounting for 70% of the capacity) and various independent power producers (IPPs) (accounting for the remaining 30% of the capacity). The plan also factors in demand savings over the period, to be achieved through energy efficiency and demand side management (DSM) strategies.

Additional Generation Capacity

Eskom is to play a key role in achieving the objectives outlined in IRP2010 and the utility is currently pursuing a suite of capacity-expansion projects valued in the range of \$69.83 billion (R500-billion). These projects, which will bring more than 11 000 MW of additional power on stream by 2020, form part of what the IRP2010 refers to as 'committed build'.

Key among the projects currently under development by Eskom are the return to service projects, which will bring previously decommissioned capacity back into production; the Medupi and Kusile projects, which will introduce significant new coal-fired baseload capacity to the country's power system; and the Ingula pumped-storage project, which will introduce additional peaking capacity.

There are also two renewable power projects currently under development by the utility – the Sere wind power project and the Upington concentrating solar thermal power project.

Funding

Securing funding has been challenging for the utility, and it was only in 2010, when government announced its equity injection, that Eskom was confident that it would be able to proceed as planned with all the projects and contracts to which it was committed.

The National Energy Regulator of South Africa (NERSA) approved Eskom's tariff increase application of 24.8% from April 1, 2010, and subsequent increases of 25.8% and 25.9% for 2011/12 and 2012/13 respectively. Eskom's finance director has indicated that the utility could request two further increases in the range of 25% a year in 2013/14 and 2014/15.

In addition to raising debt on the domestic capital markets, Eskom is pursuing funding on the domestic and global debt markets through a bond issuance program. The utility is also tapping into funds available from development finance institutions, including the Development Bank of Southern Africa (DBSA), the African Development Bank (AfDB) and the World Bank. The AfDB approved a \$2.79 billion (R20-billion) loan to Eskom in 2009, to assist in financing the Medupi project, as well as signing a 20-year \$690 million (R5-billion) loan to fund the utility's capex program in 2008. Further, in 2011, the AfDB approved a loan of \$365-million for renewable energy projects, including \$265-million from its own resources and \$100-million from a Clean Technology Fund. Eskom has also secured a \$3.91 billion (R28-billion) loan from the World Bank.

Eskom is also making use of export credit agency finance associated with capital equipment and services imports from Asia, Europe and the US.

Eskom's ability to borrow funds for its investment program has been supported by a package of government guarantees. Initially, government offered to guarantee \$24.58 billion (R176-billion) worth of the utility's debt, but expanded this to \$48.88 billion (R350-billion) in late 2010.

Eskom's funding gap has been closed, for now. However, the IRP2010 includes a category of projects known as 'new build options' – projects that are not, as yet, clearly defined – in which Eskom is expected to be a significant participant, and for which the utility will require substantial additional funding.

Best Prospects/Services

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Products and services with immediate need or potential in South Africa include:

- Construction of New Power Stations
- Independent Power Producers (IPPs)
- Energy Efficiency Technologies
- Transmission and Distribution Equipment
- New Plant Equipment and Related Systems
- Systems Control Equipment

Independent Power Producers (IPP)

The additional capacity that Eskom will introduce to the national grid in the coming years will need to be supplemented with power from independent operators, if South Africa is to avoid future power shortages. The SAG has announced that 30% of all new build capacity be supplied by IPPs.

One challenge that has delayed the introduction of IPPs to the South African market has been the designation of Eskom as the only buyer of the electricity produced by independent operators. This situation resulted in a perceived conflict of interest for Eskom as power producer and purchaser of independent power.

However, legislation has been proposed to create an independent system and market operator (ISMO) that would buy the power produced by both Eskom and the private operators.

Meanwhile, a significant pipeline of private power projects exists.

Demand-focused Initiatives

To relieve pressure on the generation system in the short-term, the government has also been trying to reduce demand. Demand side management is recognized in the IRP2010 document, which cites energy efficiency as an important contributing factor to the overall energy system in South Africa, and projects a savings level of 3 420 MW by 2030.

It is expected that the National Energy Efficiency Agency (NEEA), under the rearranged South African National Energy Development Institute, will lead the way on energy efficiency projects.

Meanwhile, Eskom has been authorized by the National Energy Regulator of South Africa (NERSA), through the multiyear price determination (MYPD), to fund DSM efforts to the value of \$761 million (R5.45 billion) over the MYPD period from 2010 to 2013.

A component of the demand response program could involve the deployment of residential demand-management solutions, using either smart metering or Eskom's so-called 'utility load manager', which would enable it to remotely switch off key energy-consuming appliances.

Electricity Distribution

In addition to the threat of electricity supply disruptions owing to inadequate generation capacity, the security of electricity supply in South Africa is threatened by the dilapidated state of the country's electricity distribution industry (EDI).

Electricity distribution in South Africa is the responsibility of Eskom and 187 municipalities. The municipalities account for about 40% of total electricity sales and about 60% of the customer base. About one-third of the 187 municipal distributors are currently experiencing severe financial problems and many, particularly those in low-income areas, owe large sums of money to Eskom.

The maintenance backlog in the sector is valued at between \$3.91 billion (R28-billion) and \$4.46 billion (R32-billion), and is growing at a rate of about \$349 million (R2.5 billion) a year.

A special purpose vehicle is set to be established to accelerate and improve the provision of municipal infrastructure generally, and the DoE will be the principal department to police the maintenance and upgrading of electricity distribution infrastructure.

Opportunities

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The future generation plan, premised on the IRP2010 document, will see power capacity expanded to 89 532 MW by 2030. According to the plan, this will include the introduction of 56 539 MW of new capacity, and the decommissioning of 10 902 MW of older capacity. Of the new capacity awaited, a small portion, some 14 000 MW, falls within the 'committed build' category, while details on the projects that will provide the balance of the new capacity are still to be finalized.

South Africa's Generation Capacity to 2030

The plan shows a heavy ongoing reliance on coal-fired power, with coal expected to account for 45.9% of South Africa's electricity in 2030, down from 86% currently.

Coal Generation

The bulk of the new coal-fired capacity will be developed by Eskom, although there is 6 250 MW of coal-fired power that is currently uncommitted. This will include domestic production and imports, with the first 500 MW of the currently uncommitted coal-fired power expected to come on stream in 2014, followed by a further 500 MW a year later. It is likely that some of the early non-Eskom coal additions will be based on fluidized-bed combustion technology, using coal discard dumps in Mpumalanga.

Nuclear Generation

The second-largest component of the country's energy mix in 2030, as outlined by IRP2010, will be nuclear power which will be the source of 12.7% of South Africa's electricity. Currently, South Africa has only one nuclear power station, Koeberg, but the plan envisages the introduction of additional nuclear capacity from 2023, with a total of six tranches added by 2030. The cost of additional nuclear capacity includes the introduction of additional safety measures.

Renewable Generation

The plan also includes the introduction of significant renewable power by 2030, including wind, concentrated solar and photovoltaic solar power generation. Together, these three sources are expected to contribute 21% of South Africa's total energy in 2030.

Other Sources

The energy mix outlined in IRP2010 also includes power from open-cycle gas turbine, combined-cycle gas turbine, pumped-storage, and hydro sources.

Web Resources

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Engineering News

Website: www.engineeringnews.co.za

Central Energy Fund

Website: www.cef.org.za

Department of Energy

Website: www.energy.gov.za

Eskom Holdings Limited

Website: www.eskom.co.za

South African National Energy Association (SANEA)

Website: www.sanea.org.za

For More Information

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Information Technology (IT)

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Overview

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Unit: USD billions

	2010	2011	2012 (estimated)	2013 (estimated)
IT Market	9.3	10.4	11.8	12.9
Hardware	4.1	4.5	5.0	5.5
Software	1.8	2.1	2.3	2.5
Services	3.4	3.8	4.5	4.9
Exchange Rate: 1 USD	7.33	7.16		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Above figures are unofficial estimates obtained from industry sources.

South Africa's information technology market is the largest in Africa, ranking 20th in the world in overall market size, and eighth in IT spending as a proportion of GDP. As an increasingly important contributor to South Africa's gross domestic product (GDP), the country's ICT and electronics sector is both sophisticated and developing. Several international corporates operate subsidiaries from South Africa, including IBM, Unisys, Microsoft, Intel, Systems Application Protocol (SAP), Dell, Novell and Compaq. The electronics industry's revenues continue to grow and key players in industrial, power, defense and telecoms electronics include Siemens, Alcatel, Ericsson, Altech, Grintek, Spescom, Tellumat and Marconi.

South Africa's ICT products and services industry continues to penetrate the fast-growing African market. South African companies and locally based subsidiaries of international companies have supplied most of the new fixed and wireless telecoms networks that have been established across the continent in recent years.

The recently installed submarine cable along the east and west coast of Africa has already had a significant impact on the high broadband and internet costs in South Africa and the region, and may further encourage the purchase of computer hardware and software products.

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Hardware:

The hardware market is predicted to grow from \$3.8 billion in 2009 to \$5.5 billion in 2013. Computer sales, including accessories, are expected to increase from \$3.1 billion to \$4.6 billion over the same period.

Software:

The software market is forecast at around \$1.8 billion in 2010. Enterprise Resource Planning (ERP) remains the most popular business software application. According to Business Monitor International (BMI) the higher end of the software market is maturing, allowing integrated platforms to be a driver of spending over the next few years. Business intelligence is set to be a growth area as organizations look to improve information visibility and utilization.

Despite the global financial crisis, a number of sectors, including telecoms and financial services, should deliver opportunities. Regulatory compliance will continue to necessitate spending by banks, which are moving to integrate their IT systems and looking to enhance their ability to launch new products and services rapidly. There is also more awareness about the need to ensure good recovery plans, and security systems are in place.

Services:

The IT Services market is projected at around \$3.4 billion in 2010 and is expected to grow to around \$5.1 billion in 2014. Cloud computing was a major growth area for South Africa in 2010, bringing “enterprise-grade” cloud services to support the more demanding security and manageability needs of traditional IT.

The South African Government (SAG) is still the driving IT spender, followed by financial services and telecoms. Underlined by the government's recent stated intention to develop South Africa's capabilities in the business process outsourcing (BPO) area, outsourcing will continue as one of the most significant revenue generators over the next few years, with Amazon being the latest to recently open up a call centre office in the Western Cape. However, traditional services such as desktop support are still the mainstay of the market, while applications services support are less developed.

Opportunities

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- Cloud computing technologies
- Security products
- Netbooks
- Enterprise Resource Planning (ERP) software
- Software-as-a-service (SaaS) web based software solutions

Resources

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Exhibitions and Conferences

The following IT shows represent the industry. (Please note that dates for these events may change every year and need to be confirmed):

Africa Com 2012

Date: November 13-15, 2012

Venue: Cape Town International Convention Centre (CTICC), Cape Town, South Africa

Website: <http://africa.comworldseries.com/>

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The Department of Communications South Africa
Website: <http://www.doc.gov.za/>

The State Information Technology Agency
Website: <http://www.sita.co.za/>

Computer Society South Africa
Website: <http://www.cssa.org.za/>

Internet Service Providers Association (ISPA)
Website: www.ispa.org.za

The Electronic Industries Federation (EIF)
Website: www.eif.org.za.

Information Technology Association (ITA)
Website: www.ita.org.za

The South African Communications Forum (SACF)
Website: <http://www.sacomforum.org.za/>

For More Information

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Telecommunications

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Telecom performance indicators

Unit: USD thousands

Indicator	2009	2010	2011 (estimated)
Fixed Line Networks			
Lines connected	4,200,000	4,100,000	4,009,000
Teledensity	8.79	8.59	8.55
Fixed lines as % of total lines	7.7	7.3	6.9
Mobile Networks			
Number of mobile operators	3	4	4
Total mobile subscribers	50,000,000	52,210,000	54,890,000
Teledensity	104	108	113
Mobile lines as a % of total lines	92.3	92.7	93.10
Number of PC internet subscribers	2,362,000	3,057,000	3,707,000

Telecom Operators

National Fixed Line Network Operator	Telkom SA Limited
Second Network Operator (SNO)	Neotel
Private Network operator 1	Eskom Enterprises
Private Network Operator 2	Transtel
Mobile Operator 1	Vodacom
Mobile Operator 2	MTN
Mobile Operator 3	Cell C
Mobile operator 4	8ta (Telkom)
ISP 1 (tier 1)	MTN Business
ISP 2 (tier 1)	Internet Solutions
ISP 3 (tier 1)	SAIX
ISP 4 (tier 1)	MTN Network Solutions
ISP 5 (tier 1)	Datapro

Data Sources: Business Monitor International (BMI-T) 2011

The South Africa telecommunications sector has the continent's most advanced telecom market in terms of technologies deployed and services provided. However, the sector is expected to grow at a much slower pace going forward in line with the global trends. The independent Communications Authority of South Africa (ICASA) is the telecommunications and broadcasting regulator. ICASA implements policy as directed by the Department of Communications (DoC) -the public service arm of the Ministry of Communications. Following are some market highlights of the telecommunications industry:

- Telkom SA continues to enjoy a dominant role in the country's fixed line broadband market in respect of ADSL;
- The Second Operator Network (SNO), Neotel, was launched in 2007 offering wholesale, corporate, and residential services;
- There are four mobile operators: Vodacom, MTN, Cell-C and 8-ta. The latter was launched by Telkom in 2010;
- The Interception of Communications Act (RICA) requires all users of cellular phones (SIM cards) to be registered. This law was introduced in 2010;
- International telecom costs have reduced since the launch SEACOM and the Eastern Africa Submarine System (EASSy) cables;
- The West Africa Cable System (WACS) is scheduled to go live in mid 2012, which will fuel further competition in the marketplace, and subsequently reduce costs further for the consumer.

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- Convergence IP services
- Wireless Broadband Services
- Advanced Cellular Services
- Telecommunications skills development programs

Opportunities

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- market demand for lower cost high-speed data services
- convergence of bundled uncapped broadband

Exhibitions & Conferences

- Satcom 2012
- www.terrapinn.com/2012/satcom-africa
- Africom 2012
- <http://africa.comworldseries.com/>
- MediaTech 2013
- <http://www.biztradeshows.com/trade-events/mediatech-africa.html>

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Department of Communications (DoC)
www.doc.gov.za

Independent Communications Authority of South Africa (ICASA)
www.icasa.org.za

Telkom
www.telkom.co.za

Neotel
www.neotel.co.za

Vodacom
www.vodacom.co.za

MTN
www.mtn.co.za

Cell C
www.cellc.co.za

SEACOM
<http://www.seacom.mu/>

EASSy
<http://www.eassy.org/>

Mining Equipment

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Overview

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)

Total Market Size	214,000	217,000	228,000	218,000
Total Local Production	65,000	68,000	71,000	73,000
Total Exports	14,000	16,000	17,000	23,000
Total Imports	163,000	165,000	174,000	168,000
Imports from the U.S.	48,000	51,000	52,000	48,000
Exchange Rate: 1 USD	7.33	7.16		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *Above figures are unofficial estimates obtained from industry sources.*

Note: *Figures include exploration and extraction equipment, but exclude beneficiation and bulk transportation equipment.*

Since the 2008 crash of commodity prices, there has been a severe cutback in investment, project planning and employment in the South African mining sector. The short-term prospects for redress have improved, but the persistently strong Rand reduces the revenue from mining exports and hence the ability to significantly increase capital expenditure. The industry is faced with severe structural challenges; these include high input costs, electricity supply constraints, Environmental, Health and Safety (EHS) regulations, a fluctuating exchange rate and logistic inefficiencies.

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The South African mining industry is well-developed and sophisticated. Many local equipment and service providers as well as organized events exist to facilitate the distribution of goods or services into the African continent.

U.S. goods and services in the following fields are well represented in South Africa (although Europe is the largest source region of foreign mining equipment):

- Software;
- Furnaces;
- Drill rigs;
- Automated controls;
- Mining processing;
- GIS mapping;
- Communications systems; and
- Materials handling technology.

Mining safety remains a controversial issue and mining executives have pushed this issue to the forefront of operational considerations and emphasize the role that technology and training can play to improve the record.

Opportunities

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Mining and related projects have traditionally been responsible for significant infrastructure development. For example, 2,200 miles of railway line, three new ports and a large amount of bulk handling infrastructure at other ports are high on the agenda for both the South African Government and mining consortia. Increasing the efficiency of material handling systems is high on the agenda of exporters of ores and minerals. The

power generation constraints in South Africa have been an added stimulus to the coal mining industry to upgrade the supply chain.

Significant recent infrastructure investments include:

- Saldanha Bay iron and steel ore bulk export hub;
- Coega Port infrastructure development focused on the creation of a dedicated rail line for the export of manganese from the Northern Cape and the creation of a chlorine plant;
- A planned 65-mile slurry pipeline to the Majuba coal station, as well as bulk coal handling systems from the Waterberg coalfields for the Groot Geluk power station; and
- Further enhanced bulk material handling systems for coal at the port of Richards Bay.

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Exhibitions and Conferences

Electra Mining Africa

Mining, Industrial & Construction

Transport Expo

Transport for the mining industry

Date: 10-14 September 2012
Venue: MTN Expo Centre,
Nasrec, Johannesburg
Website: <http://www.electramining.co.za>

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GeoAfrica

Website: www.geoafrica.co.za

Mining Weekly Publication

Website: www.miningweekly.co.za

South African Chamber of Mines

Website: www.bullion.org.za

Council for Geoscience

www.geoscience.org.za

Mintek

Website: www.mintek.co.za

For More Information

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: Johan.vanRensburg@trade.gov; Phone: +27-11- 290-3208; Fax: +27-11- 884-0253 or visit our website: <http://export.gov/southafrica/index.asp>

Pollution Control Equipment

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Overview

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Unit: USD thousands				
	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	33,000	35,800	38,600	41,090
Total Local Production	6,000	6,000	7,000	7,300
Total Exports	1,500	1,600	1,700	1,710
Total Imports	28,500	31,400	33,300	35,500
Imports from the U.S.	3,800	4,700	5,200	5,300
Exchange Rate: 1 USD	7.33	7.16		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Above figures are unofficial estimates obtained from industry sources.

Note: Figures exclude water desalination and petroleum refinery equipment.

In October 2011, South Africa launched the National Climate Change Response Policy (NCCRP) that was six years in the making and is intended to define a roadmap for responding to the urgency of climate change and supporting a "green" economy. The SA Government information service reports that the NCCRP is predicated on impacts that have already been felt on agricultural production, food prices and food security. The NCCRP has two objectives: 1) to effectively manage climate change impacts through interventions that build and sustain South Africa's social, economic and environmental resilience and emergency response capacity; and 2) to make a fair contribution to the global effort to stabilize greenhouse gas concentrations in the atmosphere.

The South African authorities intend publishing by 2013 a draft Climate Change Response Measurement and Evaluation System. The system is to be based on South African scientific measurement standards and be outcomes-based, while at the same time meeting international measuring, reporting and verification requirements.

Sub-Sector Best Prospects

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South African businesses are coming under increasing pressure to regard sustainability as a business imperative - prompted by a mix of fiscal interventions, tighter pollution laws and inspections, higher energy prices, a new corporate governance code and a global focus on climate change. Also, companies will have to submit data on greenhouse gas emissions by 2013

Three major issues dominate the South African Government's environmental efforts:

- The implementation of the stricter South African Air Quality Act;
- Regulation of the use of leaded gasoline, low sulfur diesel oil, and
- Enforcement of regulations on management of hazardous waste materials (particularly asbestos).

Other matters that are enjoying closer scrutiny are:

- sustainable water usage, including grey water recycling, and
- industrial water effluent, especially Acid Mine Water Drainage (AMD).

Industry sectors that are under pressure to improve their environmental record include iron and steel, cement, pulp and paper, and oil refining. Municipalities will be given responsibility for monitoring ambient air quality and source emissions while emissions producers will have to apply for new permits.

Hazardous waste management is also a growth sector (including banning asbestos products and by-products). In 2012 waste tire regulations also came into effect.

Clean water supply is also a large concern. Significant pressure on water resources has led to increased attention being paid to water management systems. Efforts by municipalities to address these matters are increasing. At the same time, industrial water users are looking at the sustainable management of water.

Best Products/Services

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The key sub-sectors offering the most opportunities for U.S. companies are:

- Air Pollution Control and Monitoring,
- Water Treatment technologies and services,
- Hazardous Material Containment and Management,
- Solid Waste Management Technology, and
- Sustainability Management, Auditing and Carbon-Trading Expertise

Opportunities

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Air Pollution Control and Monitoring

The Air Quality Act mandates large South African industrial groups to implement emission management and monitoring equipment. There is a definite opportunity for extensive implementation of emission filters and cleaner production technology to assist the large air-polluting industries in South Africa to reach their mandatory emission limitation targets. There is demand for monitoring technology to measure emission levels in different industrial zones.

Hazardous Waste Management

Opportunities for U.S. companies exist in treatment of hazardous waste sites, containing chemical and hydrocarbon spills and cleaning and rehabilitating of asbestos and gold mine dumping sites. Assessment, management and remediation of contaminated land will also play an important role as a result of new waste legislation that is being considered. The South African Government is also looking at a road freight management system that will monitor hazardous material shipments and end-use compliance.

Solid Waste Management

The implementation of so-called integrated waste management plans and policies by municipalities will create opportunities for U.S. suppliers.

In the short- and medium-term, opportunities exist in the provision of residential solid waste technologies and rehabilitation equipment to assist local municipalities.

Water Management

Mine acid drainage is possibly the most pressing industrial remedial water management issue facing South Africa.

With regards to potable retail water management, the biggest issue facing the big urban centers is the underground loss of bulk water due to failing infrastructure (25% of all water supplied). In most cases the reported drop in quality of potable water is due to lack of technical capacity of the local water authorities to manage water purification systems.

South Africa is considering coastal city desalination programs as an immediate technology option to address rapidly increasing water demands. The guiding policy document is the Framework on Water for Growth and Development, drafted in 2009 by the Department of Water Affairs and Forestry. This document prescribes that all major coastal cities urgently look into this technology. Government has set a target of producing 7-10% of all water from desalination by 2030.

Resources

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Exhibitions and Conferences

Footprints Biannual Conference
Water Institute of SA (WISA)
Cape Town
May 6 and 9, 2012
<http://www.wisa2012.org.za/>

Key Contacts

Department of Environmental Affairs and Tourism
Website: www.environment.gov.za

Department of Trade and Industry
Website: www.dti.gov.za

Department of Water Affairs and Forestry
Website: www.dwaf.gov.za

Water Research Commission
Website: www.wrc.org.za

For More Information

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visit our website: <http://www.buyusa.gov/southafrica/>

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Aerospace

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Overview

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	408,000	418,000	422,000	439,000
Total Local Production	37,000	36,000	38,000	41,000
Total Exports	50,000	49,000	51,000	52,000
Total Imports	421,000	431,000	435,000	450,000
Imports from the U.S.	210,000	211,000	220,000	230,000
Exchange Rate: 1 USD	7.33	7.16		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Note: Above figures exclude the value of the unannounced replacement program of SAA and expected defense procurements.

Date Source: Above figures are unofficial estimates obtained from industry sources.

- The successful hosting of the 2010 World Cup Soccer event in South Africa, recent freight handling upgrades, and an improved regulatory and oversight framework, mean that the significant airport developments in South Africa have been completed for the foreseeable future. In 2009/10 the ten most important airports in South Africa (excluding Lanseria International Airport) had 448 571 annualized aircraft movements.
- The country's air transport sector has been forecast to grow to a \$439 million market by 2013.
- The single most important aviation procurement for 2012 will be an expected upgrade of the national carrier South African Airways (SAA) fleet amounting to as many as 45 new aircraft.

Sub-Sector Best Prospects

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The best prospects for U.S. suppliers are:

- Ground Support Equipment;
- Passenger Transport Vehicles;
- Cargo De-Grouping and Logistics;
- Air Traffic Control, and
- Instrument Landing Systems.

Opportunities

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Due to a severe shortage of skilled technicians and a low throughput from training institutions there are definite opportunities in training systems to upgrade the skills' pool.

There is also demand for commercial and general aviation solutions from the United States in the following fields:

- Engine Management Systems;
- Precision Tooling;
- Maintenance, Repair and Overhaul (MRO) Certification; and
- Flight Training Systems

The growth of commercial and general aviation in Southern Africa is slowing down. High operating costs and a sluggish economy are taking their toll on discount airlines and general aviation. The biggest growth can be expected in other sub-Saharan African states as these ramp-up up their capacity to meet consistent growth in passenger travel and air freight.

Exhibitions and Conferences

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U.S. – Africa Defense Support Industry Symposium

Date: September 18, 2012

Pretoria

This one-day, invitation-only symposium will be organized with the support and participation of a number of organizations, including the U.S. Department of Defense (DoD). The overall objective is to initiate business-to-business discussions on how the private sector may benefit from and contribute to U.S. DoD and international organization procurement and tendering procedures, regulatory requirements, training requirements and regional (trilateral) cooperation throughout Africa.

Africa Aerospace and Defense (AAD) 2012

Land, Sea and Air Systems Show

Date: September 19 – 21, 2012

AFB Waterkloof

Pretoria

Website: <http://www.aadexpo.co.za>

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Airports Company South Africa (ACSA)

Website: www.airports.co.za

Air Traffic and Navigation Services (ATNS)

Website: www.atns.co.za

Commercial Aviation Association of Southern Africa (CAASA)

Website: www.caasa.co.za

Civil Aviation Authority of South Africa (CAA)

Website: www.caa.co.za

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Green Building Technologies

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Overview

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Although no formal statistics are currently recorded for green building products in South Africa, the current building and construction materials market is estimated at about \$11.88 billion per annum, with 60% sold direct to end-users and 40% via the distribution/merchant network. Of this total of \$11.88 billion, \$2.12 billion (18%) of materials would be used in the additions, alterations and home improvement market (including unrecorded home improvement).

South Africa presents potentially lucrative opportunities for U.S. firms involved in Green Building Technologies (GBT). By developed-economy standards, South Africa continues to lag far behind in its adoption of green building practices. However, the notion of green building is gathering momentum in South Africa with an array of projects currently in the pipeline. This, in turn, is making green building an increasingly feasible option with regards to longevity, efficiency, and the reduction of operation costs in the long run.

The South African Government together with the private sector recognizes the need for energy-efficient building systems and practices. To achieve a green and sustainable building culture, South Africa requires extensive international, financial and technical support. Green building technologies and practices from developed countries, such as the U.S., are sought after.

The South African Government's progressive green policy is exemplified in South Africa's involvement with the World Green Building Council (WGBC), where it utilized the expertise and guidance of other nations in establishing the Green Building Council of South Africa (GBCSA) in November 2008. The GBCSA develops rating tools according to market demand, and has reported that the interest in green building and sustainability has not slowed, despite the economic downturn.

GBCSA launched the Green Star South Africa rating tool for office developments, which is freely available on the council's website at www.gbcsa.org.za. It is set to provide the benchmark against which sustainable building practices can be measured. This rating tool draws from the original UK and U.S. systems (as well as, particularly, from Australian and New Zealand systems owing to their similar climates), and aims to provide objective measurements for green buildings.

Sub-Sector Best Prospects

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Green Technologies in the following categories offer opportunities for U.S. companies:

- Natural Heating and Cooling; Natural Lighting (design of buildings to make optimal use of day-lighting) and Energy-Saving Lighting technologies.

- Energy Generation: photovoltaics, wind turbines, solar hot water heaters, flat panel collectors, evacuated tubes.
- Heating, Ventilation and Cooling, Greenwalls, Glazing and Windows, Solar Shading, Greenroofs/Cool Roofs, Permeable Paving, Water-Efficient technologies, Structural Insulated Panels and Formaldehyde-free board.

Opportunities

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South African built-environment professionals are beginning to take seriously the ambition to lessen the carbon footprint associated with buildings and residences, especially by using design and technological innovation to decrease energy consumption and limit waste. However, there is a significant reluctance from local suppliers and manufacturers to tie funds up with expensive green stock and resources amidst the decline in the general construction industry.

These circumstances leave only a small niche of green manufactures in South Africa, resulting in many complex green building products being outsourced abroad (mainly from Australia and the EU). In the long run, it is projected that South Africa will have adequate resources to supply many green building materials, if they partner with relevant international companies to source technological expertise and obtain distributor and/or licensing agreements with these foreign entities. This is certainly an opportunity for U.S. companies to explore.

South Africa's State-owned Industrial Development Corporation (IDC) plans to inject \$1.68 billion into 'green' industries over the next five years as part of a larger \$14 billion disbursement plan between 2010 and 2015. The IDC indicated that the "green economy" has emerged as a primary focus for the development finance institution (DFI), owing to its potential to create jobs and lower the carbon intensity of the South African economy.

As increasing environmental pressures take hold in South Africa, the country's major construction companies have begun pursuing green practices and projects, particularly in the renewable energy arena.

Exhibitions

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Green Building Conference & Exhibition 2011

Date: July 25-26, 2012

Venue: Sandton International Convention Center, Johannesburg

Website: <http://www.greenbuilding.co.za/>

Interbuild Africa 2012

Date: August 15-18, 2012

Expo Center, Nasrec, Johannesburg

<http://www.interbuild.co.za/>

Incorporating: Glass Expo Africa 2012; Plumdbrian Africa 2012, EcoAfribuild 2012; Frigair 2012

Green Building Council Convention & Exhibition

Date: October 28-30, 2012

Venue: Cape Town International Convention Center

Website: <http://gbcsa-convention.org.za/>

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Green Building Council of South Africa
Website: www.gbcsa.org.za

For More Information

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Automotive Aftermarket: Specialty Equipment[Return to top](#)**Overview**[Return to top](#)

Unit: USD Billion

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	13.14	16.20	18.30	20.25
Total Local Production	8.28	9.61	11.37	12.57
Total Exports	5.28	6.15	6.98	7.68
Total Imports	10.14	12.74	13.91	15.36
Imports from the U.S.	0.61	0.64	0.98	1.12
Exchange Rate: 1 USD	7.33	7.16		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources: NAAMSA

Note: Above figures are estimates obtained from the National Association of Automobile Manufacturers of South Africa (NAAMSA) and represent the South African Automotive Industry as follows:

- Total Market Size represents new and used vehicle sales, workshop revenue, spares, accessories and other trading revenue
- Total exports represents the total value of both components and vehicles
- Total imports represents the total value of imports of both components and new vehicles
- Imports from the U.S. also reflects the value of components and new vehicles

There has been a rapid growth in demand for automotive aftermarket specialty equipment and accessories in South Africa. This market size is estimated to be between \$2– \$2.5 billion. In the last nine years accessorizing and improving performance of vehicles has transformed from a hobby to a fully-fledged culture of fierce competition. In

the race to individualize and distinguish their vehicles from others, enthusiasts constantly seek innovative, authentic specialty components and accessories with little regard to price. In this lucrative segment, South Africans are highly receptive to U.S. brands and often follow trends set in the U.S.

Sub-Sector Best Prospects

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The following performance products are sought after by dragsters in “the race to be the best”: intercoolers; ball bearing turbos; octane boosters; gauges; racing bolts; performance water injection systems, high flow injectors; racing clutches; metal head-gaskets; racing tires, nitro fed boosters, racing pistons; calipers and racing disk kits; high pressure fuel kits; gas flow cylinder heads, dynanometers.

A constant need to distinguish and individualize vehicles creates opportunities for U.S. suppliers of automotive interior and exterior accessory products such as body styling kits; racing seats; alloy wheels; lowering-suspension kits; graphics; steering wheels; gear and hand-brake pouches; boot spoilers and wings; aluminum pedals; xenon light kits.

Opportunities

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South African specialty equipment and accessory wholesalers and retailers constantly seek to expand their product range and welcome opportunities to establish distributor/agent agreements with U.S. firms. Majority of the performance products are imported directly from the U.S. United Kingdom, Italy and Germany. However, these imports may not necessarily be purchased from the manufacturer and without any exclusivity and/or distributor agreements. This scenario leads to “rogue distributors” and fierce competition amongst wholesalers and smaller retail-customizing and performance shops. South African companies are interested in acquiring U.S. distributorships, however, U.S. companies seldom reply to their inquiries or the U.S. company’s minimum requirement to ship is too large for the South African importer. This leaves the South African importers without much choice but to engage U.S. agents who consolidate and ship U.S. specialty products that are purchased from “third parties”, to them.

South African aftermarket importers and wholesalers often attend international exhibitions such as SEMA, AAPEX, Performance Racing Industry and Automechanika to meet and partner with foreign companies not represented locally.

Exhibitions

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South African Automotive Week (SAAW)

Date: October 10-13, 2012

Port Elizabeth

<http://www.saaw.co.za/>

Automechanika South Africa

Date: March 8-11, 2013

Venue: NASREC, Johannesburg South Africa

Website: <http://www.automechanikasa.co.za/>

Johannesburg International Motor Show (JIMS)

Date: October, 2013
Venue: NASREC, Johannesburg South Africa
<http://www.jims.co.za/>

Web Resources

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National Association of Automobile Manufacturers of South Africa
Website: www.naamsa.co.za

National Association of Automotive Component and Allied Manufacturers (South Africa)
Website: www.naacam.co.za

The Department of Trade and Industry South Africa
www.thedti.gov.za

For More Information

The U.S. Commercial Service, South Africa can be contacted via e-mail at:
Jaisvir.Sewpaul@trade.gov; Phone: +27 21 702 7379; Fax: +27 21 702 7402 or visit our
website www.export.gov/southafrica

Transportation Infrastructure

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Overview

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Unit: USD thousands				
	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	408,000	430,000	600,000	800,000
Total Local Production	37,000	36,000	58,000	61,000
Total Exports	50,000	49,000	51,000	52,000
Total Imports	421,000	431,000	735,000	850,000
Imports from the U.S.	210,000	211,000	320,000	430,000
Exchange Rate: 1 USD	7.33	7.16		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Note: Above figures exclude the value of the independent Richards Bay coal terminal consortium upgrades and multi-year diesel-electric locomotive roll-out confirmed in 2010 and 2011. Above figures also exclude highway investments.

Date Source: Above figures are unofficial estimates obtained from press and industry sources.

With the infrastructure roll-out for the 2010 World Cup Soccer event that included hotels and stadia more than 2 years ago, the infrastructure deficit relating to rail (freight and passenger) and ports has again come to the fore. The SAG has subsequently announced and allocated initial funding for significant infrastructure capital investments that are estimated to amount to SAR 900 billion over the next 15 years.

Opportunities

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The Passenger Rail Agency of South Africa (Prasa) of the SA Department of Transport (SADOT) in March 2012 announced a large rail improvement program by the name of

“Rolling stock fleet-renewal program”. The estimated cost of the project ranges from R123 billion to R136 billion. Of this, R13.5 billion will be invested in signaling, new depots, modern stations and integrated ticketing. R11 billion will be spent on new locomotives. The 20-year procurement process will be split into two, with the first ten-year contract running from 2015 and the second from 2025. The formal tender process is expected to start in 2012 and financial closure with the successful bidder is expected in June 2013. The first train is to be delivered in 2015.

The State Owned Enterprises (SOE), Transnet Freight Rail (TFR) and others are considering and close to finalizing logistic (mostly rail, but also ports) projects such as upgrading the Sishen - Saldanha Bay ore line, the Richard Bay coal line and other new coal line networks in the north-west. Transnet's rail and port projects are reportedly set to cost around R300 billion over 7 years and include augmenting the tractive and bulk car fleet, signaling, maintenance, advanced train management systems and network expansion / concession models.

Transnet Port Terminals (TPT), the port operating SOE is set to invest SAR 33 billion over the next seven years for the expansion and improvement of its bulk and container terminals. Significant capacity-creating projects included the expansion of the Durban Container Terminal's (DCT's) Pier 1 that would increase its capacity from 700 000 twenty-foot equivalent units (TEUs) to 820 000 TEUs by 2013 and 1.2-million TEUs by 2016/17.

Other expansion projects include the Ngqura Container Terminal, Durban Ro-Ro and Maydon Wharf terminal, the iron-ore bulk terminal at the Port of Saldanha and the ageing Richards Bay Terminal where R3.7 billion is set aside for mobile and quayside equipment, as well as weighbridges. Safety-critical, environmental and legal compliance projects would also be carried out.

Best Prospects/Services

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Transportation equipment and infrastructure

- New and refurbished locomotives
- New bulk car and other dedicated rolling fleets
- Smart Signaling and operations' automation
- Business model analysis
- Automatic fare collection systems
- Rolling stock depot design
- Strategic route design and network planning
- Port mobile, weighbridges and quayside systems
- Upgrading of existing port equipment

Resources

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Transnet
www.transnet.co.za

Rail-Road Association
www.rra.co.za

Richard Bay Coal Terminal Consortium
www.rbct.co.za

Transnet Ports Authority

<http://www.transnetnationalportsauthority.net/>

Conferences and Exhibitions

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Africa Rail 2012 (includes Signaling and Ports)
25 - 29 June 2012
Sandton Convention Center, Johannesburg
<http://www.terrapinn.com/2012/africa-rail/index.stm>

For More Information

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at:
Johan.vanRensburg@trade.gov
Phone: +27-11- 290-3208; Fax: +27-11- 884-0253 or visit our website:
<http://export.gov/southafrica/index.asp>

Agricultural Equipment

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Overview

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	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	914	917	919	920
Total Local Production	48	49	50	51
Total Exports	5.65	5.67	5.70	5.71
Total Imports	858	860	862	863
Imports from the U.S.	184	187	190	192
Exchange Rate: 1 USD	7.33	7.16		

Unit: USD millions

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *Above figures are unofficial estimates obtained from industry sources.*

The South African agricultural equipment market is estimated at approximately \$919 million. Tractor sales constitute sixty percent of the total agricultural equipment market followed by combine and baler sales. Five percent of all new agriculture equipment is produced locally, ninety five percent of all agriculture equipment and parts is sourced from international markets and at least twenty percent of new equipment is sourced from the U.S. Used equipment has limited market opportunities.

Agriculture is an important component of the South African economy, accounting for about 15% of GDP, with substantial growth potential. Although 80% of South Africa's land is used for agriculture, only 15% of that is arable, with the rest used for pastoral and other purposes.

Compared to the rest of Africa, South Africa has by far the most modern, productive and diverse agricultural economy. Although South Africa is currently experiencing a shortage of wheat, it remains a net exporter of maize and other agricultural food products and is

self sufficient in most major food products. The commercial agricultural sector under the previous apartheid government was almost exclusively white owned; however, the broad-based agriculture empowerment charter (Agri BEE) aims to boost land reforms and black ownership of farmland to 30% by 2014.

Agricultural Equipment Market Segmentation:

Equipment	Percentage Share
Tractors	58.9
Hay and silage equipment	11.6
Harvesting equipment	9.1
Planting, fertilizing, pest control equipment	7.8
Tillage equipment	4.5
Other	8.2

Source: South African Agricultural Machinery Association (SAAMA)

A relatively strong Rand, combined with low domestic interest rates, continues to enable South African farmers to replace aging equipment. The agriculture machinery market saw a steady decrease in sales in the third and fourth quarter of 2009 and this trend continued through 2010. This can in part be attributed to the 2009 economic downturn. However, 2011 saw a significant increase in sales. There has been a strong move to introduce newer technology and equipment to this market. We anticipate this trend will continue in 2012 and beyond.

South Africa has good sunlight nationwide throughout the year, which allows for more controlled farming, particularly green house farming. This is creating a growing market for greenhouse farming solutions and other related products.

Sub-Sector Best Prospects

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The best prospects for U.S. suppliers, in South Africa and the region, are:

- Tractors
- Combines
- Balers
- Planters
- Precision Agriculture Equipment and Technologies
- Sprayers
- Irrigation
- Storage
- Soil testing equipment
- Spare parts and service facilities

Opportunities

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Despite the current economic down-turn, farmers appear to be upbeat about current agriculture conditions. Sporadic rains and prevalent dry weather conditions are still a concerning issue and presents excellent opportunities for no till planting equipment. Companies/farmers have also indicated a strong interest in soil sampling equipment.

Most of the precision agriculture equipment like planters, self propelled sprayers and combine harvesters are primarily imported from the South America, Europe and the U.S. and smaller implements are purchased locally. Known U.S. brands like Agco, John Deere, New Holland and CaseIH are well entrenched in this market and are all well known for their quality.

The latest local buzz word is “regional expansion” with excellent opportunities in countries in the region such as Zambia, Angola, Mozambique, presenting further opportunities for U.S. business. Second hand tractors and equipment are well received in these regional markets.

Resources

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Exhibitions and Conferences

The following agricultural shows and farmers' days represent the industry. (Please note that dates for these events may change every year and need to be confirmed):

Show: **NAMPO Harvest Day Week**
Focus: Agriculture machinery and equipment for the maize and general farming industry:
Dates: 15 – 18 May, 2012
Venue: Bothaville, Freestate, South Africa

Show: **The Royal Show**
Focus: Agriculture machinery and equipment, agricultural live stock, crafts and home Industry
Dates: 25 May – 3 June, 2012
Venue: Pietermaritzburg, Kwazulu Natal, South Africa

Show: **Gardenex**
Focus: Garden & Flower show, horticulture, agriculture and gardening Industries
Dates: 22 – 27 August
Venue: Coca Cola Dome, Johannesburg, South Africa

Web Resources

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South African Agricultural Machinery Association (SAAMA)
Website: <http://www.saama.co.za/>

Agricultural Business Chamber (ABC)
Website: www.agbiz.co.za

South African Department of Agriculture, Forestry and Fisheries
Website: <http://www.daff.gov.za/>

Agri SA
Website: <http://www.agrisa.co.za/>

For More Information

The U.S. Commercial Service, Johannesburg, South Africa can be contacted via email: Denver.Julies@mail.doc.gov; Phone: +27 (0)11 290 3241; Fax: +27 (0)11 884 0538 or visit our website: <http://export.gov/southafrica/index.asp>

Agricultural Sectors

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South Africa has a market-oriented agricultural economy that is highly diversified and includes the production of all the major grains (except rice), oilseeds, deciduous and subtropical fruits, sugar, citrus, wine and most vegetables. Livestock production includes cattle, dairy, pigs, sheep, and a well developed broiler and egg industry. Value-added activities in the sector include the slaughtering, processing and preserving of meat; processing and preserving of fruit and vegetables; dairy products; grain mill products; crushing of oilseeds; prepared animal feeds; and sugar refining, cocoa, chocolate, and sugar confectionery amongst other food products.

The agricultural sector currently contributes around 8% to South Africa's total export earnings. South African produce, mostly harvested during the Northern Hemisphere winter, has achieved remarkable success on foreign markets and is well-known for its uncompromising quality. Citrus and deciduous fruit, highly in demand in foreign countries, accounts for the largest volume of exports. South Africa also exports wine, corn, mohair, groundnuts, karakul pelts, sugar, and wool, to name just a few.

The value of South Africa's agricultural and food product imports in FY2011 reached almost \$6 billion. The major products imported were wheat (\$556 million), rice (\$429 million), palm oil (\$415 million), soybean meal (\$375 million) and soybean oil (\$314 million).

In FY2011, the United States exported \$402 million of agricultural, fish and forestry products to South Africa, up 46 percent from the previous year. Wheat is the most important export product from the United States, but a five-year trend shows that exports of consumer-oriented products to South Africa by the United States are growing steadily and have almost doubled. The increase is attributable to other categories, like snack foods, tree nuts, dairy products, poultry meat, processed fruit and vegetables, fresh vegetables, and "other" consumer-oriented products, which reached record levels in 2011. Within this sub-category, "other food preparations" have shown consistent and substantial increases, including sauces and condiments.

USDA's Foreign Agricultural Service (FAS) in Pretoria prepares more than thirty reports each year on the agricultural situation by commodity sector in South Africa. Some reports highlight opportunities for U.S. farm exports. For other sector reports, and U.S. exporters of agricultural products, please start with the Exporter Guide for South Africa at <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

If you are an exporter of U.S. agricultural products, please feel free to contact the Foreign Agricultural Service in Pretoria for further information at the following address:

Foreign Agricultural Service U.S. Embassy Pretoria, South Africa Tel: +27 (0)12 431 4057; Fax: +27 (0)12 342 2264 Email: agpretoria@fas.usda.gov

Overview Grains

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The grain industry (barley, maize, oats, sorghum and wheat) is one of the largest industries within the South African agricultural sector, producing between 25 percent and 33 percent of the total gross value of agricultural production. The industry is comprised of a number of key stakeholders including input suppliers, farmers, silo owners, traders, millers, bakers, research organizations, financiers, etc. The animal feed industry is an important client and role player in the grain supply chain. Around 4 million tons of grain and 1.5 million tons of oil cake (from imported and locally produced sunflower and soy beans) are used by the animal feed manufacturing industry in South Africa.

Corn is the largest locally produced field crop, and the most important source of carbohydrates in the SADC region for animal and human consumption. South Africa is the main corn producer in the SADC region, with an average production of around 12 million tons per annum. Local commercial consumption of corn amounts to about 9 million tons, and surplus maize is usually exported. Wheat is produced mainly in the winter-rainfall areas of the Western Cape and the eastern parts of the Free State with considerable annual fluctuations in production. Average wheat production has been about 2 million tons a year. There is, however, a distinct downward trend in the area planted with wheat over the past few years. With the current decline in wheat prices for the 2010/2011 marketing year, producers are expected to scale down wheat production. Extra wheat must be imported to meet local requirements of about 3.3 million tons.

South African Grain Market

	FY 2009	FY 2010	FY 2011
Total Local Production	13 million tons	15 million tons	13 million tons
Total Exports	\$520 million	\$250 million	\$700 million
Total Imports	\$700 million	\$700 million	\$985 million
Imports from the U.S.	\$10 million	\$80 million	\$127 million

Best Product: Wheat

South Africa is the only country in the region with significant wheat production. However, in the past 20 years, and especially after the deregulation of the market in 1997, there has been a decreasing trend in the area planted with wheat despite an increasing trend in the local consumption of wheat. Declining profit margins saw local wheat farmers scaling down wheat production and switching wheat fields to other crops like canola, oats, corn, soya beans or increased livestock production. Furthermore, the trend in wheat production has been sporadic over the past 20 years because of unpredictable weather conditions. Unless there is an advance in technology or policy changes, the decreasing trend in hectares planted with wheat in South Africa will continue in the future.

South Africa's 2011/12 MY (October 2011 to September 2012) wheat crop is estimated at 1.9 million tons on 605,000 hectares. However, 1.9 million tons of wheat is still almost 1.4 million tons less than the expected local demand. Annual wheat consumption in

South Africa is about 3.3 million tons, or about 65 kg per capita, the highest in the sub-Saharan region. Its population is growing by 1.7% annually, and there is a rapid urbanization of South Africa's major cities.

South African Wheat Market

	FY 2009	FY 2010	FY 2011
Exports	\$50 million	\$42 million	\$46 million
Imports	\$296 million	\$266 million	\$556 million
Imports from the USA	\$9 million	\$34 million	\$202 million

South Africa, with a population of 50 million people, is a growing market and has one of the largest economies in Africa. With wheat consumption exceeding production, wheat imports of more than 1.4 million tons per year are needed to meet the local demand.

Opportunities

Contact U.S. Wheat Associates Cape Town office for current opportunities in the South African market for U.S. wheat at: <http://www.uswheat.org>

Resources

U.S. Wheat Associates has an office in Cape Town South Africa. They would be happy to help any company interested in purchasing or exporting U.S. wheat. They can be contacted at InfoCapeTown@uswheat.org

Overview: Vegetable oils

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South Africa consumes about one million tons of vegetable oil per annum with only about 30 percent of the vegetable oil being locally produced. Furthermore, the gap between locally produced vegetable oils and vegetable oil imports is widening, as production is limited while consumption is increasing. The positive trend in vegetable oil consumption in South Africa is expected to continue in relation to economic growth. South Africa consumes mostly soybean oil, sunflower oil and palm oil. More than 70 percent of the sunflower oil is imported from Argentina, while soybean oil is mainly imported from Germany, Argentina and the Netherlands. Palm oil is mainly imported from Malaysia and Indonesia. For the 2011-marketing year sunflower oil imports is expected to be about 110,000 tons and soybean oil imports are expected to increase by five percent to 287,000 tons. Palm oil imports will be around 350,000 tons.

South African Vegetable Oil Market

	FY 2009	FY 2010	FY 2011
Total Exports	\$75 million	\$120 million	\$200 million
Total Imports	\$550 million	\$740 million	\$1,105 million
Imports from the U.S.	\$31 million	\$6 million	\$33 million

Note: All figures in US\$ Million

Above Figures are from World Trade Atlas

Overview: Oilseed meals

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In the 2010-marketing year, South Africa crushed 771,000 tons of oilseeds which produced 394,000 tons of meal which is only about 30 percent of the local consumption of oilseed meal. South Africa consumed about 1.5 million tons of oilseed meal annually. The consumption of oilseed meal in South Africa is expected to grow by three percent in 2012 to 1.6 million tons, due to expansions in the poultry industry. With limitation in production, there is an increasing gap between soybean and sunflower meal produced in South Africa and the imports of these meals. However, current investments in modern crushing facilities can increase the availability of quality oilseed meal.

Imports of soybean meal are around one million tons annually, while imports of sunflower meal are approximately 75,000 tons. Almost all imports of soybean meal and sunflower meal are from Argentina.

South African Oilseeds meal Market

	FY 2009	FY 2010	FY 2011
Total Exports	\$2 million	\$4 million	\$8 million
Total Imports	\$330 million	\$340 million	\$420 million
Imports from the U.S.	\$0 million	\$0 million	\$0 million

Note: All figures in US\$ Million

Above Figures are from World Trade Atlas

Overview: Alcoholic Beverages

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South Africa is a net exporter of alcoholic beverages; however, imports of alcoholic beverages have been increasing over the past few years. Whiskies are the category of alcoholic beverages that has grown the most. Over the last few years, a wide range of new imported products has become available in the market. South Africa tastes and preferences are becoming more sophisticated and the average consumer is increasingly expecting a wide range of products on retail shelves. Traditionally, the South African distilled spirits consumer has preferred Scotch whisky and brandy. Recent trends indicate that consumers are turning to new and innovative distilled spirits, including a greater prominence in townships. Openness to new products and increasing disposable income help create a positive climate for the sale and promotion of U.S. distilled spirits. However, price sensitivity, rather than brand loyalty rules the consumer's purchasing behavior.

South African Distilled Spirits Market

	FY 2009	FY 2010	FY 2011
Total Exports	\$68 million	\$93 million	\$108 million
Total Imports	\$246 million	\$300 million	\$378 million
Imports from the U.S.	\$25 million	\$18 million	\$32 million

Note: All figures in US\$ Million

Above Figures are from Global Trade Atlas

Best Products: Bourbon

In FY 2011, the U.K held 79 percent of the whisky market share, while the United States

held only 11 percent. However, the United States increased whisky exports to South Africa in FY 2011. This growth may be due, in part, to a South Africa preference for successfully promoted American branded bourbon. This preference should help other American products be more competitive in South Africa and may lead to the growth of other American-branded, high value distilled spirits. Distilled spirit marketers might wish to target the expanding Black middle and upper classes since this group likely has fewer loyalties to the competition, Scotch and brandy.

Resources

The Distilled Spirits Council of the United States can help U.S. distillers with market information and advice on how to export to South Africa (<http://www.discus.org/>).

Overview: Poultry

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The South African poultry meat industry, with a gross value of more than R23 billion (\$3 billion), is the country's largest individual agricultural industry and is contributing almost 18 percent to Agriculture's Gross Domestic Product. On average, the broiler industry produced 18.7 million broilers per week in 2011. Total broiler production for 2011 amounted to 980 million broilers or 1.315 million tons of meat. The South African per capita consumption of broiler meat in 2011 was 32 kg. In comparison, each South African consumed only 3.2 kg of mutton, 4.6 kg of pork, and 17.7 kg of beef in 2011. South Africans now eat more than twice as much broiler meat as in 1993. Expectations are that broiler meat demand will increase further in the future as the South African economy is expected to grow by between two and four percent per annum. Economic growth is the main overall driver for the increased demand for broiler meat as rising living standards will push large numbers of consumers towards protein filled diets, health awareness and convenience. Furthermore, future opportunities for growth in the broiler meat market exist as South Africa's per capita consumption of broiler meat is still relative low compared with other economies in the world. For example, the United States per capita consumption of chicken was 43 kg in 2010.

South Africa's poultry imports for FY2011 reached \$334 million or 326,813 tons, which is almost 50 percent more than in FY2010. Broiler meat accounts for 91 percent of all poultry imports, the balance largely being turkey products. Imports of poultry meat accelerated. Brazil is the most important trading partner for South Africa in terms of poultry meat, having almost 60 percent of the import market. Brazil is followed by Argentina, with 8 percent and Canada with 7 percent of the import market. Poultry meat imports from the United States doubled in FY2011 to almost \$11 million.

South African Poultry Market

	FY 2009	FY 2010	FY 2011
Total Exports	\$19 million	\$40 million	\$30 million
Total Imports	\$186 million	\$226 million	\$334 million
Imports from the U.S.	\$5 million	\$5 million	\$11 million

Note: All figures in US\$ Million

Above Figures are from Global Trade Atlas

Best Product: Bone-in/Boneless frozen Chicken cuts

In volume, “mechanically deboned meat” represents the largest category of poultry meat imports, namely 36 percent or 117,330 tons. In value, imports of “mechanically deboned meat” were worth US\$60 million in FY2011 or almost 20 percent of the total value of broiler meat imports. The second largest category in volume of broiler meat imports consisted of “frozen bone-in portions”. “Frozen bone-in portions” represent 35 percent or 114,849 tons of poultry meat imports at a value of US\$146 million. In value, the imports of “frozen bone-in portions” represent 44 percent of total poultry meat imports. Leg quarters are bone-in portions and fall under this heading. “Frozen boneless portions” constituted 16 percent or US\$52 million (22,086 ton) to the value of total poultry meat imports in FY2011. By volume it represents seven percent of total poultry meat imports.

Challenges

An anti-dumping duty against the United States for poultry products in tariff number 0207 14 90 (bone-in cuts, including chicken leg quarters) which was instituted in 2000 will most likely remain in the future. The difficulty in lifting the anti-dumping duty limits United States exports to South Africa. However, strong demand for fresh /frozen chicken will continue, and with the United States’ ability to compete with the current top suppliers in the South African market, increased poultry meat imports from the United States is a possibility. It is also likely that the International Trade Administration Commission in South Africa will introduce anti-dumping action against Brazil for trade irregularities, which will reduce Brazil’s poultry industries’ ability to compete in the South African market.

Resources

The U.S.A. Poultry and Egg Export Council can help U.S. poultry exporters with market information and advice on how to export to South Africa (<http://www.usapeec.org>).

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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As a result of the Uruguay Round in 1994, South Africa reformed and simplified its tariff structure. Tariff rates have been reduced from a simple average of more than 20 percent to an average of 5.8 percent. Notwithstanding these reforms, importers have complained that the tariff schedule remains unduly complex, with nearly forty different rates. Tariff rates mostly fall within eight levels ranging from 0 percent to 30 percent, but some are higher (e.g. most apparel items).

Nearly all of South Africa's specific and composite duties were converted to *ad valorem* rates (a tax, duty, or fee which varies based on the value of the products, services, or property on which it is levied), with a few exceptions remaining in a limited number of sectors, including textile and apparel products.

In the Uruguay Round, South Africa agreed to a twelve-year phase-down process. The end rate for apparel is 40 percent, yarns, 15 percent; fabrics, 22 percent; finished goods, 30 percent; and fibers, 7.5 percent. The effective rated duty rates on cars, light vehicles, and minibuses is still at the high level of 34 percent, while the rate of duty on original motor parts is 20 percent.

The dutiable value of goods imported into South Africa is calculated on the f.o.b. (free on board) price in the country of export, in accordance with the WTO (ex-GATT) Customs Valuation Code. The value for customs duty purposes is the transaction value, or the price actually paid or payable.

In cases where the transaction value cannot be determined, the price actually paid for similar goods, adjusted for differences in cost and charges based on distance and mode of transport, is regarded as the transaction value. If more than one transaction value is determined, the lowest value applies. Alternatively, a computed value may be used based on production costs of the imported goods. In the case of related buyers and sellers, the transaction value will be accepted if, in the opinion of the Commissioner for Customs, the relationship does not influence the price, or if the importer shows that the

transaction value approximates the value of identical or similar goods imported at or about the same time.

Dutiable weight for the assessment of specific duties is the legal weight of merchandise, plus the weight of the immediate container in which the product is sold, unless specified otherwise in the tariff.

The value-added tax (VAT) is 14 percent. VAT is payable on nearly all imports. However, goods imported for use in manufacturing or resale by registered traders may be exempt from VAT.

Specific excise duties are levied on tobacco, tobacco products, and petroleum products. Duties on alcoholic beverages are set at fixed percentages of the retail prices.

Ad valorem excise duties are levied on a range of “up market” consumer goods. The statutory rate is currently ten percent (except for most office machinery, as well as motorcycles, that attract duty of five percent).

Various provisions for rebate of duty exist for specific materials used in domestic manufacturing.

The importer must consult the relevant schedules to the Customs and Excise Act to determine whether the potential imports are eligible for rebate duty. Information can be found on the International Trade Administration Commission of South Africa’s website at: www.itac.org.za

Trade Barriers

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U.S. companies have cited protective tariffs as a barrier to trade in South Africa. Other barriers to trade often cited include port congestion, technical standards, customs valuation above invoice prices, theft of goods, import permits, antidumping measures, IPR crime, an inefficient bureaucracy, and excessive regulation.

For additional information on trade barriers for the Southern Africa Customs Union that includes South Africa, please see the National Trade Estimate Report on Foreign Trade Barriers published by the Office of the U.S. Trade Representative at: http://www.ustr.gov/Document_Library/Reports_Publications/Section_Index.html

In a 2008 ruling, the South African Supreme Court of Appeal upheld rulings by the Competition Tribunal in favor of local soda ash producers and against the American Natural Soda Ash Company (ANSAC). According to the court ruling, ANSAC admitted that its membership agreement eliminates price competition between its members in export sales to South Africa. ANSAC has agreed to pay an administrative penalty and cease exports to South Africa. The agreement does, however, allow the constituent members of ANSAC to continue trading in South Africa. While the penalty and market size is negligible for ANSAC, this may constitute a possible international precedent in relation to price fixing. South Africa is the only developing country that has effectively prohibited ANSAC.

The International Trade Administration Commission (ITAC) is tasked with administering

South African trade laws and therefore receives requests for tariff protection from a number of local industries. For additional information on ITAC's responsibilities (tariff administration, trade remedies, and import and export controls) please visit its website at: www.itac.org.za.

Import Requirements and Documentation

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South Africa has a complex import process. The South African Revenue Service (SARS) defines approximately 90,000 product tariff codes that are strictly enforced on all imports. New-to-Market U.S. exporters are actively encouraged to engage the services of a reputable freight forwarding / customs clearance agent well versed in South African convention.

Customs South Africa (Customs SA), a division of SARS, requires that an importer register with its office and obtain an importer's code from SARS. This impacts many importers and may cause delays to clearance of goods.

SARS uses a Single Administrative Document (SAD) to facilitate the customs clearance of goods for importers, exporters and cross-border traders. The SAD is a multi-purpose goods declaration form covering imports, exports, cross border and transit movements. The following is required for shipments to South Africa:

- For customs purposes in South Africa, one negotiable and two non-negotiable copies of the Bill of Lading are required. The Bill of Lading may be made out either "straight" or "to order".
- A Declaration of Origin Form, DA59, is to be used in cases where a rate of duty lower than the general rate is claimed as well as for goods subject to antidumping or countervailing duty. DA59 is a prescribed form with stipulated format, size and content. This form does not require Chamber of Commerce certification. One original signed copy of the form must be attached to the original commercial invoice covering goods, which require such a declaration.
- Four copies and one original Commercial Invoice are required. Suppliers must give, in their invoices, all data necessary for the importer to make a valid entry and for the South African Customs to determine value for duty purposes.
- Invoices from suppliers will not be accepted as satisfying the requirements of the customs regulations unless they state, in addition to any proprietary or trade name of the goods, a full description of their nature and characteristics together with such particulars as are required to assess the import duty and to compile statistics.
- One copy of the insurance certificate is required for sea freight. Follow the importer's and/or insurance company's instructions in other matters.
- Three copies of the Packing List are required. Data contained in this document should agree with that in other documents.

To reduce the likelihood of a dutiable assessment of samples, the shipper must state the following:

“Sample: Of no commercial value / Value for customs purposes is USD xxx.”

Zero-value invoices are not accepted by South African customs authorities; the correct value must be stated of the shipment in question.

Import licenses are required for restricted items. Importers must possess an import permit prior to the date of shipment. Failure to produce a required permit could result in the imposition of penalties. The permit is only valid in respect of the goods of the class and country specified. It is non-transferable and may only be used by the person to whom it was issued. Import permits are valid only for the calendar year in which they are issued.

Import permits required for specific categories of restricted goods are obtainable from the Director of Import and Export Control at the Department of Trade and Industry. These categories have been reduced, but still must be obtained for most used / second-hand items.

Department of Trade and Industry
International Trade Administration Commission (ITAC)
Import Control
Private Bag X753
Pretoria, 0001
Tel: +27 (0)12 394 3590/1; Fax: +27 (0)12 394 0517
Website: www.itac.org.za

Exhaustive SARS import manuals can be found at:
<http://www.sars.gov.za/home.asp?pid=4150>

U.S. Export Controls

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South Africa is a party to the Wassenaar Arrangement. South African "listed" items are those that appear on the Department of Commerce Control List. These require a license to be exported to South Africa based on the Export Control Classification Number and the Country Chart.

These items are detailed on the following U.S. Department of Commerce's Bureau of Industry and Security website:
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?sid=3e3a2f9f08ad978e148dd5278d9bad8a&c=ecfr&tpl=/ecfrbrowse/Title15/15cfrv2_02.tpl#700

The Country Chart, which includes South Africa, is in Part 738. The Commerce Control List is in Part 774; there are ten categories that can be pulled up as separate files.

Temporary Entry

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South Africa has a variety of mechanisms to facilitate the temporary importation of mostly commercial goods and services.

1. Carnet Entry (also known as ATA Carnet)

South Africa is a member of the ATA Convention:
<http://www.atacarnet.com/what-carnet?gclid=CJyU7PTe-a0CFYPc4AodDX3Ssw>

Typically, the following goods are eligible to qualify for carnet entry:

1. Commercial samples,
2. Goods for international fairs and exhibitions, and
3. Professional equipment (including tools and instruments, but not goods for processing or repair).

The exporter must provide a letter stating that the exporter/carnet holder authorizes the customs clearance agent to clear the shipment on its behalf and may deliver to the consignee addressed therein. This letter from the carnet holder is to accompany the carnet document. SARS will not process carnet clearance without this letter. No duty or VAT is payable on carnet shipments. The same carnet is used on export.

2. Temporary Entry

The shipping agent in the United States and its correspondent customs clearance agent in South Africa must be notified that a shipment is only intended to remain in South Africa for a limited period of time.

- The customs clearance process will include a "Provisional Payment" (PP) that is valid for a period of six months; and the shipment must be exported within this time. If export is to take longer, a formal extension request must be submitted to the South African Revenue Service (SARS, Customs and Excise) before the six-month period has expired.
- Upon import, the serial numbers of all the goods must be indicated on the documentation (i.e., invoices from shipper). Customs will examine the shipment and will verify the serial numbers and endorse the documentation.
- Upon export, the same procedure is followed so as to verify that the same goods are leaving the country. The PP will cover any customs duty and VAT applicable to shipment. After export, this PP is then liquidated by means of submitting the import and export documentation and requesting the refund.

3. Repair and Return Entry

The shipping agent in the United States and its correspondent customs clearance agent in South Africa must be notified that the shipment in question is for repairs, or a return shipment for repairs performed in the United States.

- When the product is exported, the serial numbers are to be stated on invoices; examination will be done by SARS.
- When imported, serial numbers are to be stated on invoices, with the examination to be done by SARS.
- No duty is payable as duty was paid on the first import into the country.
- However, VAT is payable on repair costs only, even though value of goods is declared to SARS as well.

The above is in accordance with SARS rebate item 409.04. In order to make use of this rebate item, the importer must comply with the following provisions:

- Goods are to be returned to original exporter and there is no change of ownership; the essential characteristics of product remain the same. There are no alterations made to goods (i.e., just repairs). Goods exported under customs supervision with export documents SAD 500 and DA65 must be produced at time of import clearance.
- The goods must be identifiable by the serial numbers on the goods. If these provisions cannot be met, the importer will have to enter the goods as a Duty Paid (DP) clearance (i.e., as a new import that has not previously been exported). The full value, which consists of the export value plus any cost of repair, must be declared.

If the goods are repaired under warranty, the cost of repair will not be dutiable, provided the importer can prove the following:

- The duty was paid on first importation of the goods in question (again by use of serial numbers);
- The warranty is in force at time of re-importation;
- All criteria in terms of rebate item 409.04 are complied with; and
- That warranty agreement is available for Customs if requested.

In South Africa, the South African Chamber of Commerce and Industry (SACCI) is the correspondent agent for ATA Carnet matters:

http://www.sacci.org.za/index.php?option=com_content&view=article&id=40:duty-free-temporary-imports&catid=5:trade&Itemid=49

SACCI accepts ATA Carnets for:

- Commercial Samples
- Exhibitions and Fairs
- Professional Equipment

Labeling and Marking Requirements

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South Africa has a well-developed regulatory standards regime that oversees the labeling and marking requirements.

The South African Bureau of Standards (SABS, an agency of the Department of Trade and Industry, or DTI) and its accredited divisions and agents, is the national standards, homologation and accreditation authority. SABS oversees labeling and marking in the following categories:

- Chemicals
- Electro-technical
- Food and Health
- Mechanical and Materials
- Mining and Minerals
- Services
- Transportation.

A detailed listing of the relevant technical specifications by product is given at <http://www.sabs.co.za/> (see Commercial Services).

SABS is responsible for the issuing of LOA's (Letter of Authorities), i.e., the control documentation on the importation of several items where certain standards must be met. Imports into South Africa must comply with the specifications for a given product or the relevant application.

If an imported product does not bear a quality or standards specification marking, the importer will finally be liable for the quality of the product. Established importers will therefore want to divest themselves of this liability by ensuring the product under discussion complies with the pertinent specifications and bears the relevant standards marking.

The marking and labeling often revolve around the categories listed above to ensure consumer and environmental protection. Often the importer will insist that the foreign manufacturer affix these at the time of manufacture or shipment from the factory. Only in exceptional cases will the importer, wholesaler or retailer at the bulk break stage be prepared to affix these labels and markings.

Labeling and marking requirements pertain mainly to textiles, shoes and bags, where a permanent label identifying the manufacturer and country of origin must be displayed. This process is administered by ITAC. Other, controlled import items that are subject to pre-import approval (noxious chemicals, pharmaceuticals; bacteriological, nuclear / radioactive and dangerous / volatile items) are imported by registered importers whose labeling and marking requirements are defined on an ad hoc basis during the product approval process.

It is common practice for retailers to insist that imported technical goods carry safety instructions or other user guides in the English language. Pictures and/or diagrams often supplement English user instructions. While liability laws and conventions in South Africa are not as onerous as in the United States, the retailer, wholesaler and importer are all desirous to reduce their liability to a minimum. South African legal practice follows the precepts of English Commercial Law, as well as Roman Dutch civil law.

It is also common for the user to indicate details of the official South African service agent for the product, and, less often, the importer of the product. This user instruction will also indicate the information about the South African warranty.

It is important to note that the new South African Consumer Protection Act (CPA) which came into effect in April 2011 will give consumers greater legal clout when lodging product liability damages claims. The act places greater liability on foreign manufacturers in addition to their distributors, and shifts greater burden of proof on the manufacturer, not the consumer should someone sue for damages. The stricter rule allows for the foreign company's assets in South Africa to be forfeited to pay any damages caused by the product. The provisions of the CPA are especially important when it comes to labeling. U.S. manufacturers must take extra care on any product that needs warning labels or product information sheets explaining product use, as both the local retailer as well as the manufacturer could be liable.

Please also read the Labeling and Marking Section subsection under Standards.

Prohibited and Restricted Imports

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The importation of the following goods into South Africa is prohibited:

- Narcotic and habit-forming drugs in any form;
- Fully automatic, military and unnumbered weapons, explosives and fireworks;
- Poison and other toxic substances;
- Cigarettes with a mass of more than 2 kilograms per 1,000;
- Goods to which a trade description or trademark is applied in contravention of any Act (for example, counterfeit goods);
- Unlawful reproductions of any works subject to copyright; and
- Prison-made and penitentiary-made goods.

Each year, the Department of Trade and Industry (DTI) publishes a list of goods requiring import permits in an annual Import Control Program, which covers imports from any country. The Directorate of Import and Export Control of the DTI administers the issuance of permits, though for some imports, additional and prior authorization may be required from other departments. By notice in the Government Gazette, the Minister of Trade and Industry may prescribe that goods of a specified class or kind may not be imported into South Africa, except under the authority of, and in accordance with, the conditions stated in a permit issued by ITAC.

The main categories of controlled imports are as follows:

- Used goods: ITAC may grant import permits on used goods or substitutes if not manufactured domestically, thus creating a *de facto* ban on most used goods. While designed to protect the domestic manufacture of clothing, motor vehicles, machinery, and plastics, these restrictions limit imports of a variety of low-cost used goods from the United States and Europe;
- Waste, scrap, ashes, and residues: The objective of import controls on these goods is to protect human health and the environment under the Basel Convention;
- Other harmful substances: Imports of substances such as ozone-depleting chemicals under the Montreal Convention and chemicals used in illegal drug manufacturing under the 1988 United Nations Convention are controlled for environmental, health, and social reasons; and
- Goods subject to quality specifications: This restriction permits the monitoring of manufacturing specifications that enhance vehicle safety (such as in the case of tires) or protect human life.

A phytosanitary certificate is required for the importation of lard, bacon, ham, hides and skins, animal hair and bristles, and honey products. These certificates are issued by the Department of Agriculture. Other products that require import permits include fish and fish products, residues, petroleum products, firearms and ammunition, gambling equipment, and radioactive chemical elements.

The South African Revenue Service (SARS), a division of the Department of Finance/ Treasury, administers import duties and controls. The latter are implemented in consultation with the Department of Trade and Industry.

SARS - Customs and Excise - Johannesburg
Postal Address- Customs and Excise
Private Bag X21, Marshalltown
Johannesburg 2107
Tel: +27 (0)11 225 9000; Fax: +27 (0)11 225 9013
Website: <http://www.sars.gov.za/>

Customs Regulations and Contact Information

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SARS - Customs and Excise - Johannesburg
Postal Address- Customs and Excise
Private Bag X21, Marshalltown
Johannesburg 2107
Tel: +27 (0)11 225 9000; Fax: +27 (0)11 225 9013
Website: <http://www.sars.gov.za/>

Standards

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Overview

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The South African Bureau of Standards (SABS) is a specialized South African statutory agency responsible for the promotion and maintenance of standardization and quality relating to commodities and the rendering of services. Its tasks include:

- Publishing national standards,
- Testing and certifying products and services to standards,
- Developing technical regulations (compulsory specifications),
- Monitoring and enforcing of legal metrology legislation,
- Promoting design excellence, and
- Providing training on aspects of standardization.

SABS is accredited nationally by the South African Accreditation System (SANAS), and is recognized internationally by Netherlands-based Raad voor Accreditatie (RvA). SABS belongs to both the International Organization of Standardization (ISO) and the International Electrotechnical Commission (IEC). Accordingly, it issues pharmaceutical and industrial standards that conform to those of the ISO.

All SABS standards have been renamed as South African National Standards (SANS) to make the numbering system simpler and easier to understand.

SABS follows the standards of the ISO, the IEC and the European Committee for Standardization (CEN), and does not automatically recognize the standards of the United States. British Industry Standards and the Deutsche Industrienorm are favored in the SABS systems for historic and technical reasons. Products sourced from these countries enjoy quasi-automatic accreditation.

In practice, U.S. companies have been able to comply with South African standards when importing goods into South Africa. Based on a survey of U.S. firms already established in South Africa, the standards maintained by SABS have not been a major trade-inhibiting factor; the automotive sector is one exception that is receiving more attention.

Manufacturers have the option of paying SABS to test and approve their products. This option is rarely exercised. Though SABS has the right to terminate the sale of products if it receives enough complaints, there have been very few cases of this happening.

The standards issued by the SABS are in accordance with the Environmental Conservation Act and are enforced on all imports and exports. All foreign companies establishing themselves in South Africa need to have their Environmental Management System (EMS) certified. This certification needs to be updated every year in order to ensure that the company is observing South African standards.

The Directorate of Plant Health and Quality within the National Department of Agriculture (<http://www.nda.agric.za>) is responsible for setting standards for certain agricultural and agricultural-related products. These standards cover aspects such as composition, quality, packaging, marketing, and labeling as well as physical, physiological, chemical, and microbiological analyses.

The Standards Act, Nr. 29 of 1993 gave SABS the power to be involved in the regulations governing consumer protection. There are voluntary and compulsory standards. Only 53 of SABS's approximately 5,000 standards are actually mandatory. However, depending on the laws, other standards may be considered compulsory as well (i.e., electricity standards) and it may create uncertainty for businesses.

With regard to consumer protection, reports indicate that SABS is taking a tougher line on companies that violate mandatory standards. This comes in the wake of the amended Consumer Protection Act of 2008 that from 1 April 2011, changed many aspects of business in South Africa by introducing new legislation concerning manufacturers and service providers. This legal framework aims to protect the consumer through controls on product liability, sales and marketing practices and fairness in consumer contracts, among other issues.

Standards Organizations

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The following is a list of the major South African organizations involved in conformity assessment:

SABS - South African Bureau of Standards, a Government agency regulating standards.
Website: <http://www.sabs.co.za>

Human Science Research Council (HSRC) – works with non-governmental organizations (NGOs), international development agencies, and the Government on large-scale, social-scientific projects. HSRC is also involved in the homologation of academic standards.

Website: <http://www.hsrc.ac.za/PHHSI.phtml>

Medicines Control Council (MCC) – the organization that regulates medicine in South Africa.

Website: <http://www.mccza.com>

Conformity Assessment

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Website: <http://www.mccza.com>

Product Certification

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Important points concerning product certification:

- Electrical products need to receive Electromagnetic Interference (EMI) certification.
- A mutual recognition agreement (MRA) exists between the Engineering Council of South Africa (ECSA) and the Accreditation Board for Engineering and the Accreditation Board for Engineering and Technology, Inc. (ABET) in the United States.
- All medicines must be certified by the Medicines Control Council (MCC)
Website: <http://www.mccza.com/>
- Electro-medical products, such as x-ray devices, need certification from the Radiation Control Council, a directorate of the Department of Health
Website: <http://www.doh.gov.za/show.php?id=2963>

Accreditation

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The following is a list of organizations involved in accreditation in South Africa:

South African National Accreditation System (SANAS) – Organization that awards official recognition to laboratories, certification bodies, inspection bodies, proficiency testing scheme providers, and good laboratory practice (GLP) test facilities that possess the capability to carry out certain tasks. Electronic equipment must be tested at labs accredited by SANAS.

Website: <http://www.sanas.co.za>

International Laboratory Accreditation Cooperation (ILAC) – International body that determines whether laboratories are able to perform specific tasks.

Website: <http://www.ilac.org>

International Accreditation Forum (IAF) – Accreditation organization whose members are required to maintain high standards when accrediting companies.

Website: <http://www.iaf.nu>

Publication of Technical Regulations

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The SABS is the statutory repository of all relevant standards. These can be obtained in electronic format from the SABS:

https://www.sabs.co.za/Business_Units/Standards_SA/index.aspx?Services_LeftLinks_StandardsSA1:MenuLink1=6

All proposed and final technical regulations are published in the *Government Gazette*. To subscribe to the printed (hard copy) of the *Government Gazette*, please contact:

The Government Printing Works

E-mail: jpe@print.pwv.gov.za

Tel: +27 (0)12 334 4737/4734; Fax: +27 (0)12 323 0009

Access to the Government Gazette is available online through a fee-based service provided by Sabinet Online Ltd. For additional information, visit www.sabinet.co.za.

Labeling and Marking

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Important points on labelling/marketing:

- Labeling/marketing for industrial and pharmaceutical imports must be provided in English. South Africa follows the Harmonized System (HS) and belongs to the Southern African Customs Union (SACU), an organization that permits goods to be exchanged practically unhindered among the member states: South Africa, the principal administrator and revenue collector; Lesotho; Swaziland; Botswana and Namibia.
- The South African Government has regulations mandating the labeling of genetically modified (GM) food products under certain circumstances, including when allergens or human/animal proteins are present and when a GM food product differs significantly from a non-GM equivalent. The new rules also required validation of enhanced-characteristic (for example, “more nutritious”)

claims for GM food products. The regulations did not address labeling claims that products are GM-free. Biotechnology advocates are concerned about this omission, noting it could lead to fraudulent claims. Trade organizations seem satisfied with the regulations, which follow internationally recognized, scientific guidelines (under the Codex Alimentarius Commission (Codex) (www.codexalimentarius.net). South Africa's Codex representative comes from the Directorate of Food Control.

For more information, see:

<http://www.doh.gov.za/healthtopics.php?t=Food%20Control>

Contacts

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The South African Bureau of Standards

Tel: +27 (0)12 428 7911; Fax: +27 (0)12 344 1568

Website: <http://www.sabs.co.za/>

National Department of Agriculture (NDA)

Tel: +27 (0)12 319 6001; Fax: +27 (0)12 325 7394

Website: <http://www.nda.agric.za/>

Trade Agreements

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- There is duty-free trade between South Africa and the other four countries (Botswana, Lesotho, Namibia, and Swaziland) that comprise the Southern African Customs Union (SACU).
- The Southern African Development Community (SADC) Free Trade Agreement should allow duty-free trade among the 14 countries of the region when it comes into full effect.
- The European Union-South African Trade and Development Cooperation Agreement that came into effect in 2000, has as a progressive Free Trade Agreement (FTA) become a corner stone of the regional trading landscape and has in some cases been the model that some trading partners (including the US and PR China) wish to replicate in their trade regime with South Africa.
- South Africa has also negotiated agreements with the European Free Trade Association and Mercosur.

The South African Reserve Bank approves currency exchanges.

The Department of Trade and Industry (DTI) is empowered to regulate, prohibit or ration imports to South Africa in the national interests, but most goods may be imported into South Africa without any restrictions.

As a matter of government policy, the South African Government is aiming to open its market further in order to increase trade and to develop more competitive domestic industries. However, in 2006, the South African Government made exceptions to this approach in order to protect the labor-intensive garment industry.

Web Resources

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ATA Carnets

Website: <http://www.atacarnet.com/>

Bureau of Industry and Security, U.S. Department of Commerce

Website: <http://www.bis.doc.gov>

Codex Alimentarius Commission (Codex)

Website: www.codexalimentarius.org

Council for Scientific and Industrial Research

Website: <http://www.csir.co.za>

Department of Health

Website: <http://www.doh.gov.za>

Department of Trade and Industry

Website: www.thedti.gov.za

Directorate of Plant Health and Quality/National Department of Agriculture

Website: <http://www.nda.agric.za>

Engineering Council of South Africa

Website: <http://www.ecsa.co.za>

Human Science Research Council

Website: <http://www.hsrc.ac.za>

International Accreditation Forum

Website: <http://www.iaf.nu>

International Laboratory Accreditation Cooperation

Website: <http://www.ilac.org>

International Trade Administration Commission of South Africa

Website: www.itac.org.za

Medicines Control Council

Website: <http://www.mccza.com>

National Department of Agriculture

Website: <http://www.nda.agric.za>

Office of the U.S. Trade Representative

Website: <http://www.ustr.gov>

Sabinet Online Ltd

Website: <http://www.sabinet.co.za>

South African National Accreditation System
Website: <http://www.sanas.co.za>

South African Revenue Services
Website: <http://www.sars.gov.za>

The South African Bureau of Standards
Website: <http://www.sabs.co.za>

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The government of South Africa is open to green field foreign investment as a means to drive economic growth, improve international competitiveness, and obtain access to foreign markets for its exports. Merger and acquisition activity is more sensitive and requires more advance work. Virtually all business sectors are open to foreign investment. Certain sectors require government approval for foreign participation, including energy, mining, banking, insurance, and defense. Excepting those sectors, no government approval is required to invest, and there are few restrictions on the form or extent of foreign investment. The Department of Trade and Industry's (DTI) Trade and Investment South Africa (TISA) division provides assistance to foreign investors. The DTI concentrates on sectors in which research has indicated that the foreign country has a comparative advantage. TISA offers information on sectors and industries, consultation on the regulatory environment, facilitation for investment missions, links to joint venture partners, information on incentive packages, assistance with work permits, and logistical support for relocation. DTI publishes the "Investor's Handbook" on its website: <http://www.dti.gov.za/publications/publications.htm>.

While the South African government supports investment in principle, investors and other observers are concerned that there is insufficient commitment to support foreign investors. Some investors express a belief that the national level government lacks a sense of urgency when it comes to providing support for investment deals. Several investors report trouble gaining access to senior decision makers to provide support for the investment. Additionally, South Africa has begun scrutinizing merger and acquisition related foreign direct investment more closely for its impact on jobs and local industry.

Private sector representatives and other interested parties are concerned about politicization of South Africa's posture towards this type of investment.

Macroeconomic management was generally strong over the past decade, with reduced levels of public debt, generally low inflation, and a positive rate of economic growth until the global slowdown in 2009. While inflation increased over 2011, it remains within the target range of 3-6% set by the central bank. As growth has stalled, government revenue has been negatively affected. This, combined with higher labor costs for public services, now means that South Africa is projected to run a budget deficit of 5.5% of GDP through March, 2012. In November 2011, Moody's downgraded South Africa's credit outlook from "stable" to "negative," citing greater political risk due to increasing constraints on public finances. Fitch followed suit in January 2012, but S&P maintained a "stable outlook rating."

Since the end of apartheid in 1994, the government has sought to liberalize trade and enhance international competitiveness by lowering tariffs, abolishing most import controls, undertaking some privatization, and reforming the regulatory environment. While this has resulted in several large foreign acquisitions in banking, telecommunications, tourism, and other sectors, foreign direct investment has fallen short of the government's expectations. South African banks are well capitalized and have little exposure to sub-prime debt or other sources of financial contagion.

South Africa's Industrial Policy Action Plan (IPAP) is focused on South Africa's industrial infrastructure development. Key stated objectives include revising government procurement policy to enable the government to support targeted sectors (capital and transport equipment; automotive; chemical, plastic fabrication and pharmaceuticals; and forestry, paper and furniture); improving South Africa's competitiveness by using trade and competition policy, and improving small- and medium-sized firms' access to industrial financing.

Mergers and acquisitions in South Africa are subject to screening and approval under the Competition Act of 1998 (The Act). The Act allows South Africa's Competition Commission to review investment for public interest considerations such as the effect the investment would have on specific industrial sectors, employment within South Africa, the ability of small businesses to become competitive, and the ability of national industries to compete internationally. These broad powers present a risk, if the process becomes politicized, that requirements could be imposed that would distort trade or discriminate against foreign investors. The Competition Tribunal reviews decisions made by the Competition Commission. Inward investment is also subject to the requirements of the Companies Act of 2008, which sets out requirements for corporate governance, among other considerations. Please see the "Transparency of the Regulatory System" for more about South Africa's Companies Act.

Foreign investment within South Africa is also affected by South Africa's Broad-Based Black Economic Empowerment (BEE) program. BEE is a government program to increase the participation in the economy of historically disadvantaged South Africans. BEE requirements are specified in the Codes of Good Practice, which were published in the Government Gazette in February 2007. The codes created a "BEE Scorecard" that awards firms "empowerment points" along seven different dimensions, including ownership, management, skills development, employment equity, preferential procurement, enterprise development, and socio-economic development. Each

dimension is weighted, with ownership receiving the most empowerment points (20) and socio-economic development the least (5). Equity equivalence” deals permit multinational corporations to score equity ownership empowerment points through the use of mechanisms not involving the transfer of equity if these mechanisms are approved by DTI and the multinationals have a global corporate policy of owning 100 percent of the equity in their subsidiaries. The process for getting an equity equivalent mechanism approved is complicated and requires a significant effort from the company. The government recently submitted for public comment proposed revisions to the law underpinning its BEE policy. The revisions would broaden the definition of BEE, put more emphasis on local procurement, and combat the practice of “fronting” where companies misrepresent their black empowerment levels to win contracts. The government expressed the hope that an increased focus on enterprise and skill development on the BEE scorecard over simple equity ownership would produce more meaningful transformation of the South African economy.

Sectors such as financial services, mining, and petroleum have their own “transformation charters” intended to promote accelerated empowerment within the sectors. As of November 2011, the integrated transport, forest products, construction, tourism, and chartered accountancy sectors have force of law in South Africa. Many other sectors, including financial services, ICT, and property have transformation charters that are more aspirational in nature.

Openness Index

South Africa is not a Millennium Challenge Corporation (MCC) compact country, therefore it is not ranked by MCC on measures of openness. The following chart explains where South Africa stands internationally according to other widely used indices compiled by non-governmental organizations.

Measure	Year	Index/Ranking
Transparency International Corruption Index	2011	64
Heritage Economic Freedom	2012	70
World Bank Doing Business	2012	35

Conversion and Transfer Policies

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The South African Reserve Bank's (SARB) Exchange Control Department administers foreign exchange policy. An authorized foreign exchange dealer, normally one of the large commercial banks, must handle international commercial transactions and report every purchase of foreign exchange, irrespective of the amount, that is received by South African residents or companies. Generally, there are only limited delays in the conversion and transfer of funds. Due to South Africa's relatively closed exchange system, no private player, however large, can hedge large quantities of Rand for more than five years.

While non-residents may freely transfer capital into and out of South Africa, transactions must be reported to authorities. Non-residents may purchase local securities without restriction. To facilitate repatriation of capital and profits, foreign investors should make

sure that an authorized dealer endorses their share certificates as "non-resident." Foreign investors should also be sure to maintain an accurate record of investment.

Subsidiaries and branches of foreign companies in South Africa are considered to be South African residents and are treated legally as South African companies, and as such, are subject to exchange control by the SARB. South African companies may, as a general rule, freely remit the following to non-residents: repayment of capital investments; dividends and branch profits (provided such transfers are made out of trading profits and are financed without resorting to excessive local borrowing); interest payments (provided the rate is reasonable); and payment of royalties or similar fees for the use of know-how, patents, designs, trademarks or similar property (subject to prior approval of SARB authorities).

While South African companies are permitted to invest in other countries without restriction, SARB approval/notification is required for investments over R500 million. South African individuals may freely invest in foreign firms listed on South African stock exchanges. Individual South African taxpayers in good standing may make investments up to a total of R4 million in other countries. As of March 2010, South African banks are permitted to commit up to 25 percent of their capital in direct and indirect foreign liabilities. In addition, mutual and other investment funds can invest up to 25 percent of their retail assets in other countries. Pension plans and insurance funds may invest 15 percent of their retail assets in other countries.

Before accepting or repaying a foreign loan, South African residents must obtain SARB approval. The SARB must also approve the payment of royalties and license fees to non-residents when no local manufacturing is involved. When local manufacturing is involved, the DTI must approve the payment of royalties related to patents on manufacturing processes and products. Upon proof of invoice, South African companies may pay fees for foreign management and other services provided such fees are not calculated as a percentage of sales, profits, purchases, or income.

SARB approval is also required for the sale of all forms of South African-owned intellectual property rights (IPR). Approval is generally granted by SARB if the transaction occurs at arm's length and at fair market value. IPR owned by non-residents is not subject to any restrictions in terms of repatriation of profits, royalties, or proceeds from sales.

Further questions on exchange control may be addressed to:
South African Reserve Bank
Exchange Control Department
P.O. Box 427, Pretoria, 0001
Tel: +27 (0) 12 313-3911; Fax: +27 (0) 12 313-3197
Website: <http://www.reservebank.co.za/>

Expropriation and Compensation

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The Expropriation Act of 1975 (Act) and the Expropriation Act Amendment of 1992 entitle the government to expropriate private property for reasons of public necessity or utility. The decision is an administrative one. Compensation should be the fair market value of the property. There is no record, dating back to 1924, of an expropriation or nationalization of a U.S. investment in South Africa.

Racially discriminatory property laws during apartheid resulted in highly distorted patterns of land ownership in South Africa. In August 2011, South Africa tabled a "Green Paper" on land reform in an attempt to address this inequality. The Green Paper's "three pillars" include a land management commission, a land valuer-general and a land rights management board, with local management committees. These would collectively keep track of land sales, ensure there were proper records, and "facilitate productive land usage and an equitable land distribution". Certain provisions in the Green Paper have generated controversy including proposed "severe limitations" on private land ownership, the powers granted to a proposed "valuer-general" to determine the value of land, the proposed commission's powers to invalidate title deeds and confiscate land, and the state's right to intervene regarding the use of land. Additionally, the government has suggested that it would pursue legislation that would limit foreign land ownership in South Africa. Proposals for expropriation of land continue to surface from time to time.

In several restitution cases, the government has initiated proceedings to expropriate white-owned farms after courts ruled that the land had been seized from blacks during apartheid and that the owners subsequently refused court-approved purchase prices. In most of these cases, the government and owners reached agreement on compensation prior to any final expropriation actions. The government has twice exercised its expropriation power, taking possession of farms in Northern Cape and Limpopo Provinces in March 2007 and December 2007 after negotiations with owners collapsed. The government paid the owners the fair market value for the land in both cases.

Mineral rights have also been the subject of expropriation claims. The Mineral and Petroleum Resources Development Act 28 of 2002 ("MPRDA") replaced private ownership of mineral rights with a system of licenses controlled by the South African government. Under the MPRDA, investors that held pre-existing mineral rights were granted the opportunity to apply for licenses provided they met certain criteria, including the achievement of certain BEE objectives.

Nationalization of mineral resources continues to be debated at the highest political levels in South Africa. Proponents of the idea suggest that it would help redistribute wealth and tackle economic inequality in South Africa. Critics suggest that nationalization would not be tenable or workable in South Africa due to the potential cost of compensating mine owners and the broader impact that it would have on foreign investment.

Dispute Settlement

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South Africa is a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards, but is not a member of the World Bank's International Center for the Settlement of Investment Disputes. South Africa recognizes the International Chamber of Commerce, which supervises the resolution of transnational disputes. South Africa applies its commercial and bankruptcy laws with consistency and has an independent, objective court system for enforcing property and contractual rights. South Africa's new Companies Act also provides a mechanism for alternative dispute resolution.

DTI offers several investment incentives for manufacturing:

- The Business Process Outsourcing & Off-Shoring (BPO&O) investment incentive comprises an Investment Grant ranging between R37,000-R60,000 (\$5,400-\$8,800 U.S.) and a Training Support Grant towards costs of company specific training up to a maximum of R12,000 (\$1,765 U.S.) per agent. The incentive is offered to local and foreign investors establishing projects that aim primarily to serve offshore clients. The objective of the incentive is to attract BPO&O investments that create employment opportunities. The grant is provided directly to approved projects depending on the value of qualifying investment cost and employment creation.
- The 12i Tax Incentive is designed to support green field investments (i.e. new industrial projects that utilize only new and unused manufacturing assets), as well as brown field investments (i.e. expansions or upgrades of existing industrial projects). The 12i incentive is available for investments with a total value of more than R1.6 million (\$235,000 U.S.).
- The Manufacturing Investment Program offers local- and foreign-owned entities an investment grant of up to 30 percent of the value of qualifying investment costs in machinery, equipment, commercial vehicles, land and buildings, required for establishing a new production facility; expanding an existing production facility; or upgrading production capability in an existing clothing and textile production facility.
- The Sector Specific Assistance Scheme (SSAS) is a reimbursable cost-sharing grant whereby financial support is granted to Export Councils, Industry Associations, and Joint Action Groups. Export Councils represent the trade promotion efforts of specific industries, while Industry Associations are trade associations that represent sectors that are prioritized for development by DTI. Joint Action Groups are groups of companies or associations that seek to cooperate on one-time projects in sectors prioritized for development by DTI. Foreign companies can access SSAS funding through participation in one of these entities.
- The Film and Television Production Rebate Scheme encourages foreign and domestic investment in the local film industry. Eligible applicants may receive a rebate of 15 percent of the production expenditures for foreign productions and up to 25 percent for qualifying South African productions. Film projects must have begun after April 1, 2004 and investment in the film must reach a threshold of R25 million (\$3.67 million U.S.) to qualify for the rebate. Other requirements include 50 percent completion of the principal photography in South Africa and a minimum of four weeks' local photography time. Eligible productions include movies, television series, and documentaries. The maximum rebate for any project will be R20 million (\$2.9 million U.S.).
- To encourage investment in the automotive sector, the Automotive Investment Scheme was announced in June 2010 as part of the Automotive Production and

Development Program (APDP). It will provide qualifying firms with a taxable cash grant of 20 percent of the value of qualifying investment in productive assets. In order to qualify, a light motor vehicle manufacturer must introduce a new or replacement model and demonstrate that it will achieve a minimum of 50,000 annual units of production per plant within 3 years. A component manufacturer can qualify by proving that a contract has been awarded for the manufacture of components to supply into the light motor vehicle manufacturing supply chain, and that the investment will generate revenue of R10 million (\$1.4 million U.S.). An additional taxable cash grant of 5-10 percent is available if additional conditions are met. APDP stipulates that automobile import tariffs will be frozen at 25 percent until 2020.

- Details on all investment programs are available at the DTI website at: http://www.thedti.gov.za/offerings/Investment_Support.htm
- AIS details can be found at this website: <http://www.dti.gov.za/ais/ais.htm>

South Africa's various provinces have development agencies that offer incentives to encourage investors to establish or relocate industry to their areas. The incentives vary from province to province and may include reduced interest rates, reduced costs for leasing land and buildings, cash grants for the relocation of physical plants and employees, reduced rates for basic facilities, railroads and other transport rebates, and assistance in the provision of housing. Under the National Industrial Participation Program (NIPP), foreign companies winning large government tenders exceeding \$10 million must invest at least 30 percent of the value of the imported content of the tender in South Africa.

Several South African entities have been established to support investment in export-oriented industries, research and development, or offer technical assistance to industry:

- The Industrial Development Corporation (IDC) is a self-financing, state-owned corporation that provides equity and loan financing to support investment in target sectors. The IDC also provides credit facilities for South African exporters
- The Council for Scientific and Industrial Research (CSIR) is a government-owned organization that does multi-disciplinary research and development for industrial application.
- Technifin, a CSIR subsidiary, finances the commercialization of new technology and products.
- MINTEK develops mining and mineral processing technology for commercial application.
- The Council for Geoscience undertakes geological surveys and services related to minerals exploration. Foreign companies and research organizations can access research done by a specific organization through partnerships and direct contract.

South Africa plans to use government procurement to support and promote domestic economic development and fight persistent unemployment. South Africa's Preferential Procurement Policy Framework Act of 2000 (the Framework Act) and associated implementing regulations created the legal framework and a formula for evaluating tenders for government contracts. Certain provisions of the Act provide a pathway for government departments to issue tenders that will favor local content providers. Moreover, South African government and labor leaders also recently signed a pact to increase the government's purchasing of goods and services from South African producers to an "aspirational target" of 75% in a bid to boost industrialization and to create jobs.

Right to Private Ownership and Establishment

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The right to private property is protected under South African law. All foreign and domestic private entities may freely establish, acquire, and dispose of commercial interests. The securities regulation code requires that an offer to minority shareholders be made when 30 percent shareholding has been acquired in a public company that has at least ten shareholders and net equity in excess of R5 million (\$750,000 U.S.).

Protection of Property Rights

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The South African legal system protects and facilitates the acquisition and disposition of all property rights, e.g., land, buildings, and mortgages. Deeds must be registered at the Deeds Office. Banks usually register mortgages as security when providing finance for the purchase of property.

Owners of patents and trademarks may license them locally, but when a patent license entails the payment of royalties to a non-resident licensor, DTI must approve the royalty agreement. Patents are granted for twenty years - usually with no option to renew. Trademarks are valid for an initial period of ten years, renewable for ten-year periods. The holder of a patent or trademark must pay an annual fee to preserve ownership rights. All agreements relating to payment for the right to use know-how, patents, trademarks, copyrights, or other similar property are subject to approval by exchange control authorities in the SARB. A royalty of up to four percent of the factory selling price is the standard approval for consumer goods. A royalty of up to six percent will be approved for intermediate and finished capital goods.

Literary, musical, and artistic works, as well as cinematographic films and sound recordings are eligible for copyright under the Copyright Act of 1978. New designs may be registered under the Designs Act of 1967, which grants copyrights for five years. The Counterfeit Goods Act of 1997 provides additional protection to owners of trademarks, copyrights, and certain marks under the Merchandise Marks Act of 1941. The Intellectual Property Laws Amendment Act of 1997 went into force on October 1, 1997. It amended the Merchandise Marks Act of 1941, the Performers' Protection Act of 1967, the Patents Act of 1978, the Copyright Act of 1978, the Trademarks Act of 1993, and the Designs Act of 1993 to bring South African intellectual property legislation fully into line with the WTO's Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS). Amendments to the Patents Act of 1978 also brought South Africa into line with TRIPS, to which South Africa became a party in 1999, and implemented the Patent Cooperation Treaty.

A proposal to amend the four pieces of IP legislation to protect indigenous intellectual property was approved by South Africa's National Assembly in November 2011. One potential source of concern is the legislation's vague definition of "indigenous" intellectual property. It is feared that existing IP rights holders' ability to protect their rights in court may be undermined due to the vague definitions contained in the amended legislation. If rights holders are unable to protect their IP, this could discourage foreign investment in South Africa. The bill is pending in Parliament.

Transparency of Regulatory System

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South African laws and registrations are generally published in draft form for stakeholder comment, and legal, regulatory, and accounting systems are generally transparent and consistent with international norms.

South Africa implemented a new Companies Act in 2011, intended to encourage entrepreneurship and employment opportunities by simplifying company registration procedures and reducing the costs for forming new companies. It is also intended to promote innovation and investment in South African markets and companies by providing for a predictable and effective regulatory environment.

On April 1, 2011, South Africa's Consumer Protection Act (2008) went into effect. The legislation reinforces various consumer rights, including right of product choice, right to fair contract terms, and right of product quality. Impact of the legislation will vary by industry, and businesses will need to adjust their operations accordingly. The legislation for the Consumer Protection Act can be found at:

<http://www.dti.gov.za/ccrdlawreview/DraftConsumerProtectionBill.htm>

and the implementing regulations can be found at:

http://www.dti.gov.za/ccrd/cpa_regulations.htm.

Efficient Capital Markets and Portfolio Investment

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South African banks are well capitalized and comply with international banking standards. Six of the 35 banks in South Africa are foreign-owned and 15 are branches of foreign banks. Four banks - Standard, ABSA, First Rand, and Nedbank - dominate the sector, accounting for almost 85 percent of the country's banking assets, which total over \$240 billion. The South African Reserve Bank (SARB) regulates the sector according to the Bank Act of 1990. There are three alternatives for foreign banks to establish local operations, all of which require SARB approval: separate company, branch, or representative office. The criteria for the registration of a foreign bank are the same as for domestic banks. Foreign banks must include additional information, such as holding company approval, a letter of "comfort and understanding" from the holding company, and a letter of no objection from the foreign bank's home regulatory authority. More information on the banking industry may be obtained from the South African Banking Association at the following website: <http://www.banking.org.za/>.

The Financial Services Board (FSB) governs South Africa's non-bank financial services industry (see website: <http://www.fsb.co.za/>). The FSB regulates insurance companies, pension funds, unit trusts (i.e., mutual funds), participation bond schemes, portfolio

management, and the financial markets. The JSE Securities Exchange SA (JSE) is the fourteenth largest exchange, measured by market capitalization, in the world. Market capitalization stood at R6.964 billion (\$875 million U.S.) in October 2011, with over 400 firms listed. The Bond Exchange of South Africa (BESA) is licensed under the Financial Markets Control Act. Membership includes banks, insurers, investors, stockbrokers, and independent intermediaries. The exchange consists principally of bonds issued by government, state-owned enterprises, and private corporations. The JSE acquired BESA in June 2009. More information on financial markets may be obtained from the JSE (website: www.jse.co.za). Non-residents are allowed to finance 100 percent of their investment through local borrowing (previously, they were required to invest R1 for every R3 borrowed locally). However, a finance ratio of 1:1 still applies to emigrants, the acquisition of residential properties by non-residents, and financial transactions such as portfolio investments, securities lending and hedging by non-residents.

Competition from State Owned Enterprises

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State-owned enterprises (SOE) play a significant role in the South African economy. In key sectors such as electricity, transport (air, rail and freight), and telecommunications, SOEs play a lead role, often defined by law, although some competition is allowed in some sectors. The government's interest in these sectors often competes with and discourages foreign investment. The Department of Public Enterprises has oversight responsibility in full or in part for nine of the approximately 300 SOEs that exist at the national, provincial and local levels: Alexcor (diamonds); Broadband Infraco (fiber optic cable); Denel (military equipment); Eskom (electricity generation); Pebble Bed Modular Reactor (nuclear); South African Airways; South African Air Express; SAFCOL (forestry) and Transnet (transportation). Government oversight can inject some political uncertainty into business decisions.

South Africa plans to "ring-fence" Eskom's power purchasing function from its power generating function, to allow an independent system market operator (ISMO) to emerge. This would gradually allow independent power producers (IPPs) to enter the market. The government has been slow to enact and implement ISMO legislation. Eskom has said IPP investment will be needed to help redress the long-term neglect of electric power generation capacity that has led to a tight supply-demand balance. Higher prices and heavy public investment in new capacity, as well as energy efficiency and demand management initiatives, are designed to prevent a repeat of 2008's brownouts as the economy recovers from recession.

South Africa needs significant foreign investment to upgrade its rail and port infrastructure. Direct aviation links between the U.S. and Africa are limited, but have expanded in the last few years. The growth of low-cost carriers in South Africa in the last five years has reduced bloated airfares domestically, but without further air liberalization in the region and in Africa, private carriers are likely to continue facing problems with African governments that wish to protect their national carriers. The state-owned carrier, South African Airways, continues to dominate the market in South Africa and the region.

South Africa's telecommunications sector presents a slightly different challenge for investors. While efforts to liberalize the telecommunications sector have improved, regulatory uncertainty and fragmented competition have hampered growth in the industry. Key challenges include strengthening the regulator's capacity to spearhead the

long-awaited spectrum auction, ensuring the digital migration remains on track, stabilizing the Department of Communication's state-owned-entities (including Telkom (national telephone operator), South African Broadcasting Company, Sentech (signals provider), and improving broadband penetration. South Africa's biggest priority going forward will be meeting the ambitious target of 2013 for the migration from analog to digital broadcasting, which, if achieved, will significantly improve South Africa's broadcasting capabilities. The move to digital terrestrial broadcasting will open an opportunity for new players. Provide While Regulatory uncertainty and fragmented competition have stifled growth, the sector remains stifled. However, South Africa aims to encourage more competition in the sector. The United States-led SEACOM undersea fiber-optic cable project became operational in late July 2009 and expanded broad-band connectivity in South Africa and other countries on Africa's eastern seaboard.

Political Violence

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Political violence is not currently a serious problem in South Africa. In 2011, South Africa's Independent Electoral Commission, with support from the South African Police Service, held municipal elections generally considered free and fair, despite minor voting irregularities, and violence was not a factor. Service delivery protests and strike actions can turn violent.

Corruption

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South Africa has an excellent anti-corruption regulatory framework, highlighted by the passage of the Prevention and Combating of Corrupt Activities Act of 2004. In 2010 and 2011 the government intensified anti-corruption efforts. While the newly formed priority crimes unit, known as the "Hawks", thus far is still deemed less effective than the unit it replaced in 2009 (the "Scorpions"), it has arrested a number of white collar criminals for banking irregularities and fraud.

Despite the advances against corruption, allegations of corruption in the public tendering process persist, including at the provincial and municipal levels.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a

competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. South Africa acceded to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 2007.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. South Africa is since 2004 party to the UN Convention.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention that, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>)

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.)

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be

brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html
See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: <http://transparency.org>

TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major

corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://transparency.org/publications/publications/other/corruption_perceptions_index_2011

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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South Africa has bilateral investment treaties (BITs) with Argentina, Austria, Belgium, Canada, Chile, the Czech Republic, Finland, France, Germany, Greece, Mauritius, the Netherlands, the Republic of Korea, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. A Trade, Development, and Cooperation Agreement that came into force between South Africa and the European Union on January 1, 2000 does not contain an investment chapter.

The United States and South Africa signed a Trade and Investment Framework Agreement (TIFA) in 1999. TIFA discussions were renewed in 2011. The United States and SACU negotiated a Trade, Investment and Development Cooperation Agreement (TIDCA), which was signed in July 2008. The U.S.-South Africa bilateral tax treaty eliminating double taxation entered into force on January 1, 1998.

OPIC and Other Investment Insurance Programs

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Since a 1993 agreement to facilitate Overseas Private Investment Corporation (OPIC) programs, OPIC has invested in a number of funds supporting sub-Saharan Africa development, including the Africa Catalyst Fund (\$300 million focused on small- and medium-sized enterprise development), Africa Healthcare Fund (\$100 million focused on private healthcare delivery businesses, and ECP Africa Fund II, (\$523 million, focused

on telecommunications, oil and gas, power, transportation, agribusiness, media, financial services and manufacturing.) Tailored products to support clean and renewable energy are a particular focus. Specific to South Africa, OPIC also currently supports the South Africa Workforce Housing Fund (\$240 million) for investments in individual housing developments and in companies that contribute to the development and affordability of residential housing at any point along the value chain. Additional information on OPIC programs that involve South Africa may be found on OPIC's website: <http://www.opic.gov/investment-funds/africa>.

Labor

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The South African government has worked to remove all vestiges of apartheid-era labor legislation over the last 17 years, emphasizing employment security, reasonable wages, and decent working conditions. Under the aegis of the National Economic Development and Labor Council (NEDLAC), government, business, and organized labor negotiate all labor laws, with the exception of laws pertaining to occupational health and safety. The law allows all workers to form or join trade unions of their choice without previous authorization or excessive requirements. Trade union membership figures are imprecise but total membership is estimated at 3.5 million people, which is 26.1% percent of the economically active population employed in the formal sector as of September 2011, a decrease of almost 5% from September 2010.

The right to strike is protected under South African law. The South African Department of Labor's 2011 Industrial Action report estimates that 20.6 million work days were lost to strike action in 2010, far exceeding the 1.5 million work days lost in 2009. In 2011, major strikes included labor action by workers in the public sector (garbage collection), mining, transportation, and manufacturing sectors. The transportation strike led to some shortages of petroleum products, particularly in Gauteng province.

South African business argues that the labor market is rigid and over-regulation has constrained job creation and employment. Under pressure to preserve jobs in the face of Chinese competition, in October 2011, the Southern African Clothing and Textile Workers' Union (SACTWU) agreed to a novel deal that allowed for lower salaries for new hires.

Amendments to each of the four main labor laws were proposed in December 2010. The proposals were heavily criticized by business groups and analysts as making South Africa's labor regime more rigid and discouraging job creation. The proposed amendments are being debated at the National Economic Development and Labor Council (NEDLAC). NEDLAC is a non-governmental organization that was set up by President Nelson Mandela to include South African citizens in government policy formation. NEDLAC is comprised of representatives from government, business, and labor, and it is funded through the South African Department of Labor.

Major labor legislation includes:

- The Labor Relations Act, in effect since November 1996, provides retrenchment guidelines, stating that employers must consider alternatives to retrenchment and must consult all relevant parties when considering possible layoffs. The Act enshrines the right of workers to strike and of management to lock out striking

workers. The Act created the Commission on Conciliation, Mediation, and Arbitration (CCMA) which can conciliate, mediate, and arbitrate in cases of labor dispute, and is required to certify an impasse in bargaining council negotiation before a strike can be called legally. The CCMA's caseload currently exceeds what was anticipated. Revisions seek to close a loophole in current legislation regarding the definition of employers in the South African legal system.

- The Basic Conditions of Employment Act, implemented in December 1998, establishes a 45-hour workweek and minimum standards for overtime pay, annual leave, and notice of termination. The Act also outlaws child labor. Further, it states that no employer may require or permit overtime except by agreement, and overtime may not be more than ten hours per week.
- The Employment Equity Act of 1998 prohibits employment discrimination and requires large- and medium-sized companies to prepare affirmative action plans to ensure that black South Africans, women, and disabled persons are adequately represented in the workforce.
- The Occupational Health and Safety Act, last amended in 1993, provides for occupational health and safety standards and gives the Department of Labor the right to inspect the workplace. The Mine, Health and Safety Act authorizes the Inspector of Mines to provide regulatory oversight for the mining industry.
- The Skills Development Act of 1998 imposes an annual levy on employers equal to one percent of the payroll that is to be used for training programs devised by industry-specific training authorities (SETAs). Many groups, including organized business, question the effectiveness of SETAs. This concern has been magnified due to recent proposals to double the annual levy.

The most recent Quarterly Labor Force Survey (LFS) published on October 26, 2011 listed the official unemployment rate at 25.0 percent. The LFS defines unemployment to exclude persons who have not actively sought employment during the previous four weeks. The unemployment rate increases to 37.4 percent if these 2.2 million discouraged job seekers are included. Many unemployed people have never worked. Despite the high unemployment rate, South Africa has a shortage of skilled workers across many sectors.

South Africa has no country-wide minimum wage, but the Minister of Labor has issued determinations that set a minimum wage for certain occupations where collective bargaining is not common. These occupations include domestic workers, farm workers, and taxi drivers. More information regarding South African labor legislation can be found at: <http://www.labour.gov.za/legislation>.

Foreign-Trade Zones/Free Ports

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South Africa designated its first Industrial Development Zone (IDZ) in 2001. IDZs offer duty-free import of production-related materials and zero VAT on materials sourced from South Africa, along with the right to sell into South Africa upon payment of normal import duties on finished goods. Expedited services and other logistical arrangements may be

provided for small to medium-sized enterprises, or for new foreign direct investment. Co-funding for infrastructure development is available from DTI.

There are no exemptions from other laws or regulations, such as environmental and labor laws. The Manufacturing Development Board licenses IDZ enterprises in collaboration with the South African Revenue Service (SARS), which handles IDZ customs matters. IDZ operators may be public, private, or a combination of both. IDZs are currently located at Coega near Port Elizabeth, in East London, Richards Bay, Mafikeng, and at OR Tambo International Airport near Johannesburg.

Foreign Direct Investment Statistics

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Foreign direct investment (FDI) data is readily available in South Africa. The U.S. Embassy relies on the U.S. Department of Commerce and SARB for foreign investment data. SARB statistics conform to the IMF definition of FDI (i.e., ownership of at least 10 percent of the voting rights in an organization by a foreign resident or several affiliated foreign residents, including equity capital, reinvested earnings, and long-term loan capital) and represent actual investment, excluding announced but not completed "intended" investment. The SARB does not provide country-specific figures that distinguish between actual investment flows and changes in investment stocks caused by asset swaps, exchange rate adjustments, and mergers and acquisitions. SARB statistics can be found at:
<http://www.reservebank.co.za/internet/publication.nsf/WTV/QuarterlyBulletins6AF7920302C489BB42256B440046F4F2?OpenDocument>.

U.S. Companies with investment of at least R10 million (\$1.4 million U.S.) in South Africa include:

Amazon, Amonix, Caltex, Caterpillar, Chevron, Coca-Cola, Corning, Cisco, CitiGroup, CSX, Dell, Dow Chemical, Eastman, Eli Lilly, First Solar, Ford, Forest Oil, Fluor, General Electric, General Motors, Goodyear, Honeywell, HP, IBM, Johnson & Johnson, Joy Global, Kimberly-Clark, Levi Strauss, McDonald's, Microsoft, Nike, Pioneer Energy, Proctor & Gamble, Sara Lee, and Silicon Graphics, Solar Reserve, Timken, Walmart, Westinghouse, Whirlpool.

The South Africa-based firm "Business Map" (BM) offers fee-based services for a wide range of investor-related data and analysis at their website:
<http://www.businessmap.co.za>.

The following FDI statistics were drawn from the SARB's December 2011 Quarterly Bulletin. The conversion exchange rate used was the average exchange rate for each year cited.

Table A:

Average Exchange Rates							
Year	2005	2006	2007	2008	2009	2010	2011
Rand/US\$	6.36	6.76	7.05	8.25	8.43	7.32	7.95

Table B:

Year-end Stock of Foreign Direct Investment

in South Africa							
	2004	2005	2006	2007	2008	2009	2010
Rand (billion)	362.86	499.59	611.72	751.92	632.61	866.66	1015.52
US\$ (billion)	57.05	78.55	90.49	106.66	76.68	102.81	138.73

Table E:

Year-end stock of FDI in South Africa by region/country (billions)						
REGION/COUNTRY	2008	2009	2010	2008	2009	2010
CURRENCY	Rand	Rand	Rand	US\$	US\$	US\$
EUROPE - Total	492.3	697.4	850.03	59.67	82.73	116.12
N/S America- Total	65.1	80.14	62.732	7.89	9.5	10.04
USA	47.1	55.83	73.47	5.7	6.62	8.57
AFRICA	5.2	5.9	6.5	.63	.70	.89
ASIA	68.1	81.4	83.88	8.25	9.66	11.46
OCEANIA	1.6	1.6	1.52	.19	.19	
TOTAL	679.4	922.27	1078.13	82.35	109.4	147.28

Table F:

FDI Flows into South Africa (U.S. \$ millions):						
	2005	2006	2007	2008	2009	2010
	6.65094	-0.5325	5.68794	9.01818	5.39383	1.22814

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Chapter 7: Trade and Project Financing

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How Do I Get Paid? (Methods of Payments)

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South African importers utilize most of the standard payment methods available in international commerce. The most commonly used are:

- Cash in Advance: the buyer pays for goods in advance and money is transferred from the buyer's account to the seller's account in the currency of the Pro Forma Invoice. (Lowest Risk).
- Letters of Credit (LC), also known as Commercial or Documentary Credits: this form protects both buyer and seller against non-payment and is issued by a bank on behalf of an importer in favor of a beneficiary, typically the exporter.
- Irrevocable LC: if the exporter is concerned about the reliability of the importer only, he/she should use an irrevocable LC.
- Confirmed irrevocable credit: if the exporter is also concerned about the standing of the issuing bank and/or the standing of the importer's country, he/she should use a confirmed irrevocable credit.

Other methods of payment include the following:

- Bank Collections and Bills of Exchange: whereby the exporter initiates through the banking system the collection of money owed to him by the buyer (Medium Risk).
- Open Account: the seller relies entirely on the buyer/importer to make payment as stipulated under a contract of sale, usually after a part of the consignment has been sold (High Risk).
- Sales on Consignment: the seller sends goods prior to payment, but retains ownership of the goods until the buyer sells the goods to the end-user. The buyer is then expected to pay for the goods (Highest Risk).

For most payment processes, two reliable methods are used: Telegraphic Transfers (TT's) or S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication).

In South Africa, all credits issued are subject to exchange control regulations, and in limited cases, a South African import permit. South African exchange control regulations stipulate that payment of imports may be effected only by authorized banks against submission by their customers of documentary proof that the goods were imported into South Africa as evidenced by invoices and shipping documents stamped by South African Customs. An exception is, inter alia, when South African banks have opened documentary import letters of credit in favor of foreign exporters. Payment in those instances may be effected against presentation by the exporter of invoices and shipping documents to the foreign negotiating bank before the goods have arrived in South Africa (but after they have left the United States). If credit is available, payment will take place upon presentation of documents.

American exporters should offer quotations based on the f.o.b. value at the port of export. As a general rule, such quotations should also include a statement of the actual charges for freight and insurance plus any additional charges to the port of delivery. Quotations are usually in terms of the currency of the country of origin.

The terms of payment for imported goods vary according to the type of buyer and the buyer's access to capital. Large organizations such as the government or mining companies tend to transact business on a sight-draft basis, while small companies tend to operate on documents against acceptable terms.

Payment between 80 and 120 days after acceptance is most common, but terms may vary between 30 and 180 days. For larger orders of capital equipment, longer terms are often required. It is advisable to ship on a letter of credit, sight letter of credit, or 30-day letter of credit basis that the importer can use as a negotiating instrument to expedite the payment transfer. The payment transfer can be affected within 24 to 48 hours after the importer presents a valid import permit and proper documents to his or her bank.

How Does the Banking System Operate

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South Africa's well-developed banking system resembles Britain's system rather than that of the United States. It consists of three key elements:

- the South African Reserve Bank (the country's central bank),
- private sector banks (commercial banks, merchant banks, and general banks), and
- mutual banks.

South African banks hold the first six places among the top 100 banks on the continent of Africa.

Four large banks dominate, with Standard Bank of South Africa, Nedcor, ABSA (Amalgamated Bank of South Africa, now owned by Barclays PLC), and FirstRand Bank collectively accounting for around 85 percent of banking services in South Africa. A new banking entity, Capitec has made significant inroads into the unbanked and entry-level banking segment.

In total, there are approximately 70 foreign banks operating in South Africa, either via representative offices, branches, subsidiaries or joint ventures with local companies. These are listed here:

<http://www.resbank.co.za/RegulationAndSupervision/BankSupervision/Pages/SouthAfricanR>

[egisteredBanksAndRepresentativeOffices.aspx](#)

International banks in the country have focused on offshore lending (where they have a competitive advantage as a result of their low overheads and their ability to raise funds at comparatively favorable rates), as well as treasury activities for corporate clients and government.

All banks offer a comprehensive range of products and services through extensive branch and electronic banking infrastructures, serve a wide customer base, and have the characteristics of universal banks.

Based on population numbers, South Africa does not appear to be “over-banked,” as one branch exists for approximately every 9,500 persons. However, a large portion of the population does not have access to normal banking services and uses only a few products. Many Black South Africans tend to save outside the formal banking sectors, and choose to save in cooperative savings institutions called “stokvels.” Excluding the non-banked segment of the population, it is estimated that there is one branch for every 3,200 persons. Electronic banking has become commonplace. The banking sector is overshadowed by the four largest retail banks that set cost and service standards. Attempts by authorities to make the banking sector more cost-effective and service orientated, especially to new entry-level clients, have met with limited success.

Despite the global turmoil in the banking sector, the South African banking system remained relatively stable and the South African Reserve Bank reported that banks were adequately capitalized.

Foreign- Exchange Controls

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The Exchange Control Department at the South African Reserve Bank (SARB) administers a foreign exchange policy that has been progressively relaxed over recent years. Authorized foreign exchange dealers, normally one of the large commercial banks, must handle all international commercial transactions and report every purchase of foreign exchange, irrespective of the amount, received by South African residents and companies. In practice, there are only limited delays in the conversion and transfer of funds.

All inquiries regarding exchange controls should be directed to an authorized foreign exchange dealer, who will, if required, refer the matter to the Exchange Control Department of the SARB. For more information and a list of authorized dealers in foreign exchange, please refer to:

<http://www.resbank.co.za/RegulationAndSupervision/FinancialSurveillanceAndExchangeControl/ExconAdmin/Pages/default.aspx>

South African Reserve Bank (SARB)
Mr. Elijah Mazibuko
Head, Exchange Control Department
P.O. Box 3125 Pretoria, 0001
Tel: +27 (0)12 313 3911; Fax: +27 (0)12 313 3133

When South African authorized dealers of foreign exchange open documentary import letters of credit in favor of foreign exporters, payment is effected against presentation by the exporters of invoices and shipping documents to the foreign negotiating bank prior to the arrival of goods in South Africa.

Foreign exchange may also be provided on a cash-with-order basis to cover the cost of permissible imports up to an amount of R50,000 (approx. \$6,650), but authorized dealers must satisfy themselves by the subsequent production of the usual documentary evidence that the exchange provided has been used for the purposes stated and that the goods have been imported into the country. Prior Exchange Control approval is required for amounts exceeding R50 000.

Foreign Exchange regulations are detailed here:

<http://www.resbank.co.za/RegulationAndSupervision/FinancialSurveillanceAndExchangeControl/EXCMan/Pages/TableOfContents.aspx>

U.S. Banks and Local Correspondence Banks

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U.S. Banks with representative offices in South Africa:

Bank of New York Mellon

Merrill Lynch Bank of America (pending)

U.S. Banks with registered offices in South Africa:

JP Morgan

Citibank

Banks in South Africa with Correspondent Worldwide Banking Arrangements:

ABSA (with Chemical Bank)

First National Bank

Nedbank (with Bankers Trust, Chase Manhattan, Chemical Bank, Citibank, and Morgan Guarantee Trust)

Bank of Taiwan (South Africa) Limited

FirstRand Bank Limited

First National Bank of Southern Africa Limited

Mercantile Bank

HSBC

International Bank of Southern Africa - S.F.O.M. Limited

Investec Bank Limited

Rand Merchant Bank Limited

Societe Generale South Africa Limited

Standard Merchant Bank Limited

The South African Bank of Athens Limited

The Standard Bank of South Africa, Ltd.

For a current listing of all South African Reserve Bank registered banks, see:

<http://www.resbank.co.za/Publications/Guides/Documents/Financial%20corporate%20sector.pdf>

Project Financing

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Much of the SA Government's impressive capital infrastructure investment drive is being financed by the Government and the larger state-owned enterprises (Transnet, Eskom, ACSA, TCTA), although a sizeable portion has also been funded by the private sector in the form of public private partnerships (PPP). South Africa was an early pioneer of PPPs, embracing, for example, the use of toll roads to upgrade and maintain the national road systems as early as 1997, and building the first two private prisons in South Africa in 2000-01. Since then, there has been a downturn in PPP projects, but renewed fiscal pressures

may see closer cooperation with private funders and operators.

National or provincial governments will generally publish tenders, requiring consortia to respond to PPP-type projects. This is different from normal infrastructure tenders in that all the funding is privately raised. The concessionaire will usually be required to build and operate the infrastructure for an extended period of time, taking the risks and rewards that go along with such an endeavor.

Project finance in South Africa generally exhibits the following characteristics:

- Long-term tenders, to match the underlying concession contract with government.
- Limited recourse, meaning that the lender takes on the project risk.
- Involvement of more than one bank, owing to the large amounts of debt.
- Very high gearing as infrastructure is a low-risk asset class, and there is usually no or very limited market risk being taken by the funders. This results in lower shareholder equity requirements.

Most of the current deals in the PPP sector involve building and operating the project; the most profiled recent example is the now commissioned Gautrain high-speed passenger rail connection between Johannesburg, Pretoria and OR Tambo International Airport.

The Government has a dedicated PPP unit in the National Treasury, whose task it is to oversee new and existing projects. Their website, <http://www.ppp.gov.za/Pages/default.aspx>, gives further details around PPPs.

A current list of PPP projects appears here:

<http://www.ppp.gov.za/Lists/PPP%20Project%20List%20Master/Master%20Project%20List.aspx>

Sources of Project Financing in South Africa

U.S. Trade and Development Agency (TDA)

The U.S. Trade and Development Agency promotes economic development in developing countries by funding feasibility studies, consultants, training programs, and other project planning services. In Africa, TDA assists U.S. firms by identifying major development projects that offer large export potential and by funding U.S. private sector involvement in project planning. This, in turn, helps position U.S. firms for follow-on activities during the implementation phase of the project. For additional information contact:

Mr. Jason Nagy, Country Manager

Tel: +27 (0)11 290-3084

Email: jnagy@ustda.gov

Website: <http://www.tda.gov/>

Development Bank of Southern Africa (DBSA)

The DBSA is one of five existing development finance institutions in South Africa and has a mandate to accelerate sustainable socio-economic development in the region by funding physical, social and economic infrastructure. Contact:

Mr. Paul Baloyi, CEO

Development Bank of Southern Africa

Tel: +27 (0)11- 313-3911; Fax: +27 (0)11-206-3516

Email: Paulb@dbsa.org

Website: www.dbsa.org

Industrial Development Corporation of South Africa, Ltd. (IDC)

The IDC is a state-owned financial institution offering an extensive range of financing facilities to private sector entrepreneurs engaged in manufacturing industries in South Africa. Its mission is to assist in the financing of new and existing private sector enterprises so that industrial development takes place in South Africa according to sound business principles.

CEO: Mr. Geoffrey Qhena

Tel: +27 (0)11-269-3000; Fax: +27 (0)11-269-3113

Email: geoffreyq@idc.co.za

Website: www.idc.co.za

Small Business Development in South Africa

The United States Agency for International Development (USAID) is the U.S. Government agency responsible for development assistance. USAID assists government and non-government institutions in South Africa to contribute to the political, social, and economic empowerment. It has two programs that help with small business development in South Africa.

- The Southern Africa Trade Hub (SATH)

SATH is a USAID funded grant program that seeks to increase international competitiveness, intra-regional trade and food security in the Southern Africa Development Community (SADC) region. SATH will realize this through supporting progress on the SADC regional integration agenda and increasing the trade capacity of regional value chains in selected sectors.

Website: <http://www.satradehub.org/grants-program/usaids-southern-africa-trade-hub-is-accepting-grant-concept-applications>

- South African Supplier Diversity Council (SASDC - previously South African International Business Linkages SAIBL).

SASDC is a USAID supported supplier diversity program aimed at assisting products and services from previously under-used South African suppliers. This process helps to sustainably and progressively transform a corporation's supply chain to reflect the demographics of the society in which it operates. In South Africa, it involves the process of integrating a growing pool of competitive black suppliers into corporate supply chains, using targeted procurement and enterprise development to achieve this.

Website: <http://www.sasdc.org.za/>

Please contact USAID for additional information on its programs at:

United States Agency for International Development - South Africa

Tel: +27 (0)12-452-2000; Fax: +27 (0)1- 460-3177

Website: <http://sa.usaid.gov/>

Enterprise Development in Southern Africa

The Southern African Enterprise Development Fund (SAFEDF), a US\$100 million USAID-sponsored project supports small-to-medium-sized enterprises throughout South Africa. For additional information on the SAFEDF, please visit its website at: <http://www.saedf.org.za/>.

The Entrepreneurship Development Unit of the University of the Western Cape also provides information on small business development in South Africa:

Entrepreneurship Development Unit

Department of Management
Head of Department: Mr. Goosain Solomon
University of the Western Cape
Private Bag X17,
Bellville, 7535
Tel: +27 (0)21-959-2595; Fax: +27 (0)12-959-3219
Website: <http://www.uwc.ac.za/ems/man/edu.htm>

Multilateral Development Banks

The African Development Bank Group

The African Development Bank Group (AfDB), headquartered in Abidjan, Côte d'Ivoire, is an international financial institution created in 1964 to promote the economic and social development of member African countries. Due to the current situation in the host country, the AfDB has temporarily relocated to Tunis, Tunisia, until the political situation has normalized in Côte d'Ivoire. The Bank Group covers Africa exclusively, with its lending operations and non-lending development activities all centered on Africa. Additional information about the African Development Bank Group can be found on the Internet at www.afdb.org.

African Development Bank (Temporary Relocation to Tunis)

Tel: (+216) 71 10 39 00 Fax: (+216) 71 35 19 33

E-mail: afdb@afdb.org

Website: www.afdb.org

The World Bank Group

South Africa was a founding member of the International Bank for Reconstruction and Development (IBRD) in 1944. It joined the International Development Association (IDA) in 1960, the International Finance Corporation (IFC) in 1957, and the Multilateral Investment Guarantee Agency (MIGA) in 1994. Additional information is available on the Internet at www.worldbank.org

Or contact:

- World Bank Resident Mission in South Africa/IBRD Section

Chief of Mission: Ms. Ruth Kagia

PO Box 12629

Hatfield, 0028

Tel: +27 (0)12- 742-3105; Fax: +27 (0)12-742-3135

Email: plamptey@worldbank.org

Website: www.worldbank.org/za

- IFC Section (International Finance Corporation)

PO Box 41283, Craighall, 2024

Tel: +27 (0)11-731-3000; Fax: +27 (0)11-268-0074

Country Manager: Mr. Salix Karimjee

Email: skarimjee@ifc.org

Website: www.ifc.org

- The Entrepreneurship Development Unit of the University of the Western Cape

Entrepreneurship Development Unit

Department of Management

Head of Department: Mr. Eslyn Isaacs

Email: eisaacs@uwc.ac.za

University of the Western Cape

Private Bag X17,
Bellville, 7535
Tel: +27 (0)21-959-2595; Fax: +27 (0)21-959-3219
Website: <http://www.uwc.ac.za/ems/man/ems/sbf>

- U.S. Commercial Service Liaison Office at the World Bank

Mr. David Fulton
Advisor & Director of U.S. Business Liaisons
Office of the U.S. Executive Director
U.S. Trade Advocacy Center
Bank E-mail: world.bank@mail.doc.gov
Commerce E-mail: David.Fulton@trade.gov
Phone: (202) 458-0120
Fax: (202) 477-2967
Website: www.buyusa.gov/worldbank/

Export-Import Bank

Ex-Im is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services. In over 70 years, Ex-Im Bank has supported more than US\$400 billion in U.S. exports. Ex-Im Bank's mission is to create jobs through exports. The Bank provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans or makes loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders, but assumes the risks they cannot accept. It must always conclude that there is reasonable assurance of repayment on every transaction financed. To qualify for Ex-Im Bank support, the product or service must have significant U.S. content and must not affect the U.S. economy adversely. Ex-Im Bank supports the sale of U.S. exports worldwide, and will support the financing of the export of any type of goods or services, including commodities, as long as they are not military-related. For more information, please visit www.exim.gov.

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African Development Bank Group
Website: <http://www.afdb.org/>

Ex-Im Country Limitation Schedule
Website: http://www.exim.gov/tools/country/country_limits.html

Development Bank of Southern Africa
Website: <http://www.dbsa.org>

Entrepreneurship Development Unit of the University of the Western Cape
Website: <http://www.uwc.ac.za/ems/man/edu.htm>

Export-Import Bank of the United States
Website: <http://www.exim.gov>

Country Limitation Schedule:
Website: http://www.exim.gov/tools/country/country_limits.html

Industrial Development Corporation of South Africa, Ltd
Website: <http://www.idc.co.za>

OPIC
Website: <http://www.opic.gov>

SBA's Office of International Trade
Website: <http://www.sba.gov/oit>

South African Association of Freight Forwarders
Website: <http://www.saaff.org.za>

South African Reserve Bank
Website: <http://www.reservebank.co.za>

Southern African Enterprise Development Fund
Website: <http://www.saedf.org.za>

The World Bank
Website: <http://www.worldbank.org>

Trade and Development Agency
Website: <http://www.ustda.gov>

USDA Commodity Credit Corporation
Website: <http://www.fsa.usda.gov/ccs/default.htm>

United States Agency for International Development South Africa
Website: <http://www.sn.apc.org/usaidsa/>

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Chapter 8: Business Travel

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Business Customs

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Business customs in South Africa are generally similar to those in the United States and Western Europe. South African business people tend to dress conservatively, particularly in the financial sector. However, “smart-casual” clothing has become increasingly popular with executives in the ICT, tourism, and other services related industries. Terminology used in business invitations are:

- Black Tie (dark suit and tie or tuxedo or formal evening dress)
- Business (jacket and tie or a business dress)
- Smart Casual (casual clothing with or without tie, but no jeans and no sneakers)
- Casual (can include jeans but no sport shorts)

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone/mobile number, fax number, e-mail, and web-address. South Africans are usually punctual, so it is best to make every effort to be on time for appointments. Appointments are always made in advance of a business visit.

Travel Advisory

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Travelers are encouraged to be vigilant and avoid large gatherings, particularly protests and demonstrations. The possibility of violence should not be discounted, particularly in times of heightened world tension, although South Africa is a comparatively “low risk” country in terms of terrorist attacks. While the majority of visitors complete their travels in South Africa without incident, criminal activity, often violent, does occur regularly, i.e. armed robbery, carjacking, mugging, “smash and grab” attacks on motor vehicles and other incidents.

For the latest Consular Information Sheet and travel advisory on South Africa, please click on the following link: http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html

For general information on international travel, please visit the main website at: <http://travel.state.gov>

Value-added Tax (VAT) is levied at 14 percent. Travelers may apply for tax refunds on purchases made in South Africa over \$37 (R265) on departure.

Visa Requirements

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U.S. citizens traveling to South Africa require a valid passport. A visa is not required for regular passport holders on bona fide holiday or business visits for periods of up to 90 days or in transit.

However should a U.S. citizen wish to visit neighboring countries, a visa may be required for that particular country. For South Africa, visas are also required for extended stays, employment, study, and for diplomatic and official passport holders.

Evidence of a yellow fever vaccination is necessary if arriving from an infected area. Information on South African visa requirements can be obtained prior to departure from the United States by checking with the South African Embassy in Washington, D.C. <http://www.saembassy.org> or the South African Consulates in New York, Chicago, and Beverly Hills. For information on visa requirements for other countries, contact the Embassy of the country you intend to visit, or a travel agent, or a U.S. Consular Officer.

IMPORTANT NOTE: All travelers to South Africa should make sure that their passports contain at least two completely blank pages for stamps; otherwise they will be turned away and refused entry by South African immigration officials. As a general precaution, travelers are advised to carry a photocopy of the photo/bio information page of their passport and keep it in a location separate from the passport.

U.S. companies that require travel of foreign businesspeople to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas: <http://www.unitedstatesvisas.gov/>

Telecommunications

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The South African telecommunications sector boasts one of the continent's most advanced telecommunications markets in terms of technologies deployed and services provided. The national fixed line operator is Telkom; the Second National Operator (SNO) is Neotel.

Cellular services are provided by four licensed cellular operators: Vodacom, MTN (Mobile Telephone Networks) Cell C and 8ta (Telkom's mobile operator launched in 2010). All four mobile operators offer voice and data solutions to subscribers.

Transportation

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South Africa boasts one of the most modern and extensive transport infrastructures on the African continent in terms of road, railway systems, airports and seaports.

There are two major international airports: OR Tambo International in Johannesburg, and Cape Town International Airport in Cape Town. Carriers that fly directly from the United States to South Africa are Delta Air Lines (<http://www.delta.com>) and South African Airways (SAA) (<http://www.saa.co.za>) only. United Airlines code-shares with SAA (<http://www.united.com>). The recently launched state-of-the-art high-speed train, the Gautrain, runs from O.R. Tambo International to Sandton, every fifteen minutes from 7:00am to 8:00pm. (<http://join.gautrain.co.za>).

Do not hail taxis in South Africa. When taking a taxi, it is recommended to use private taxi companies that operate at all four and five-star hotels. Travelers to South Africa can also hire a car. Major car hire groups represented include: Hertz (<http://www.hertz.co.za>), Avis (<http://www.avis.co.za>) and Budget (www.budget.co.za). South Africans drive on the left-hand side of the road.

To view U.S. Consulate information sheet on travel to South Africa visit:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html

Language

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South Africa has 11 official languages. Based on the most recent data available, the respective percentages of the population speaking each of them are: Zulu (23.8%), Xhosa (17.6%), Afrikaans (13.3%), Sepedi (9.4%), English (8.2%), Setswana (8.2%), Sesotho (7.9%), Xitsonga (4.4%), Swazi (2.6%), Venda (1.7%), and Ndebele (1.5%). Languages used by the Asian population include Tamil (2%), Hindi (2%), Gujarati (2%), and Urdu. Business is conducted mostly in English.

Health

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In line with U.S. laws, the South Africa's health policy stipulates that smoking is prohibited in public places unless otherwise designated as smoking areas. South African tap water is mostly safe to drink, generally adhering to the highest standards, but if a traveler is not acclimatized to it or has a sensitive digestive system, bottled water is widely available.

South Africa has world-class (private care) medical services and all major cities have modern well-equipped hospitals and ambulance services to assist travelers in emergency situations. Travelers should familiarize themselves with emergency telephone numbers and the locations of nearest hospitals on arrival in the country. The national emergency telephone number is 10111.

South Africa has a few provinces where there is a threat of contracting malaria. Appropriate prophylactics taken well in advance of visiting these areas should limit the risk of falling ill. Self-protection actions should include use of mosquito repellent (all day), wearing of light long sleeved shirts and pants as well as socks and shoes from dawn and at night. Sleeping under a mosquito net or in a mosquito-proof room should also be considered.

High risk malaria areas: Lowveld of Mpumalanga and the Limpopo (the region where the Kruger Park is located) as well as in Kwazulu Natal (on the Maputaland coast).

Intermediate risk malaria areas: Kosi Bay, Sodwana Bay, Mkuze Game Reserve and St Lucia (but not the town of St Lucia and the river mouth).

Low risk malaria areas: North West Province and the Northern Cape along the Molopo and Orange Rivers, including the Augrabies Falls and the Kgalagdi Transfrontier Park (malaria is rarely transmitted here, so anti-malaria drugs may not be necessary).

It is very important for travelers to realize that they may still contract malaria despite all precautionary measures, and if any flu-like symptoms such as headaches, fever, muscular and joint pains, sweating, shivering and attacks of nausea or diarrhea occur at any time within six months after a visit to one of these high-risk areas, a physician should be consulted immediately.

South Africa has also an epidemic of HIV/AIDS and travelers should ensure that they are well aware of the associated risks.

Local Time, Business Hours, and Holidays

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Throughout the year, Standard Time in South Africa is two hours ahead of Greenwich Mean Time and seven hours ahead of Eastern Standard Time. Clocks are not advanced in the summer. Generally, business hours are weekdays from 8:00 a.m. to 1:00 p.m. and 2:00 p.m. to 5:00 p.m. Most offices observe a five-day week, but many stores are open on Saturdays, and from 9:00am to 2:00pm on Sundays. Banks are open weekdays from 9:00 a.m. to 3:30 p.m., and Saturdays from 8:30 a.m. to 11:00 a.m.

Local Holidays 2012

Holiday	Date	Day
New Year's Day	January 1	Sunday
Public Holiday (observing Jan 1)	January 2	Monday
Human Right's Day	March 21	Wednesday
Good Friday	April 6	Friday
Family Day	April 9	Monday
Freedom Day	April 27	Friday
Worker's Day	May 1	Tuesday
Youth Day	June 16	Saturday
National Women's Day	August 9	Thursday
Heritage Day	September 24	Monday
Day of Reconciliation	December 16	Sunday
Public Holiday (observing Dec 16)	December 17	Monday
Christmas Day	December 25	Tuesday
Day of Goodwill	December 26	Wednesday

Note: U.S. Government offices in South Africa are closed on U.S. federal and legal holidays.

Temporary Entry of Materials and Personal Belongings

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Travelers must declare all goods in their possession with the exception of personal clothing, essential toilet articles and used sporting equipment. In order to be free from declaration, these goods must be for the passenger's personal use and not intended as

gifts or to be sold, exchanged, or traded. All articles, used or unused, carried by the visitor as presents or parcels for other people, must be declared. There are no restrictions on the amount of U.S. Dollars that may be taken into South Africa.

U.S. Dollars cannot be used in South Africa and must be converted into the local currency - the South African Rand - by authorized foreign exchange dealers, hotels, commercial banks, and certain travel agencies. It is illegal to convey foreign currency to anyone else and U.S. Dollars may not be used in commercial or other private transactions.

With a valid carnet, a visitor may enter South Africa with his/her automobile for a period not exceeding 12 months. An import duty will be charged on entry and rebated on departure. If a visitor wishes to sell his/her vehicle during his/her stay or upon departure, he/she must first obtain an import permit and pay the relevant duty.

Web Resources

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Hotels

<http://sandton.hotelguide.co.za/>

Car Rental

Avis: <http://www.avis.co.za>

Budget: <http://www.budget.co.za>

Hertz: <http://www.hertz.co.za>

Air Lines

Delta Air Lines: www.delta.com

South African Airlines: <http://www.saa.co.za>

United Air Lines: <http://www.united.com>

Private Healthcare (Hospitals)

Netcare: www.netcare.co.za

MediClinics: www.mediclinic.co.za

Life: www.mediclinic.co.za

U.S. Government

Consular Services for American Citizens

<http://pretoria.usembassy.gov/wwwhacs1.html>

Consular Information Sheet on South Africa

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html

Consular Services for American Citizens

<http://pretoria.usembassy.gov/wwwhacs1.html>

State Department Visa Website
<http://travel.state.gov/visa/index.html>

U.S. Commercial Service – South Africa
<http://export.gov/southafrica/>

United States Visas.gov
<http://www.unitedstatesvisas.gov/>

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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United States Embassy South Africa - www.southafrica.usembassy.gov

American Chamber of Commerce South Africa – <http://www.amcham.co.za>

Attorneys in South Africa – <http://www.attorneys.co.za>

Exhibition Association of Southern Africa – <http://www.exsa.co.za>

Internet based South African travel information –
http://www.sa-venues.com/tourist_and_visitor_information_.htm

Statistics South Africa – <http://www.statssa.gov.za>

South African Department of Trade and Industry – <http://www.dti.gov.za>

South African Government – <http://www.gov.za>

South African Internet search engines – <http://www.aardvark.co.za>,
<http://www.ananzi.co.za>, <http://www.google.co.za>

Southern African Tourism Services Association – <http://www.satsa.co.za>

United States Commercial Service in South Africa -
<http://www.buyusa.gov/southafrica/en>

United States Consular Services in South Africa - www.unitedstatesvisas.gov

United States Embassy, Pretoria - <http://pretoria.usembassy.gov/>

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/exp_mr_index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Please click on the links below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

<http://www.buyusa.gov/southafrica/en/upcomingevents.html>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

In 2011, CS South Africa took on the coordination of market research and business facilitation in several sub-Saharan African states. These include the following countries (hyper-linked):

[Angola](#)
[Benin](#)
[Botswana](#)
[Burkina Faso](#)
[Cameroon](#)
[Cote d'Ivoire](#)
[DRC Congo](#)
[Gabon](#)
[Gambia](#)
[Guinea](#)
[Lesotho](#)
[Liberia](#)
[Madagascar](#)
[Malawi](#)
[Mali](#)
[Mauritius](#)
[Mozambique](#)
[Namibia](#)
[Senegal](#)
[Swaziland](#)
[Zambia](#)

For additional information, please e-mail the U.S. Commercial Service Johannesburg office at: Johannesburg.office.box@trade.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: www.export.gov/southafrica

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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